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14 AUGUST 1986

Near East/South Asia Report

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ALGERIA

REPORT ON GOVERNMENT EFFORTS TO COMBAT SMUGGLING

Algiers ALGERIE ACTUALITE in French 26 Jun 86 pp 9-11

[Article by correspondent Kamel Bouslama: "Auctions and in Gold"]

[Text] The facts are decidedly very stubborn in our country. As soon as it involves, for example, identifying ever so little in the exciting world of smuggling, it is always the same; after the preliminaries are over, remarks quickly give place to silence. The questions which one sometimes takes the trouble to ask are quite often undecided. This is particularly so, when they refer to an objective analysis of the facts.

Besides each time that we happen to mention the evidence of a smuggling affair, it is almost the same not very subtle story which reappears. Either one gets lost in hazy conjectures about the circumstances which have led to the arrest of the swindlers or smugglers, or one dwells tediously on the nature and value of the merchandise confiscated. In any case, it rarely occurs to us to ask about their destination after casting the net. And we think even less about the reasons which have caused a smuggler to repeat the offense, when substantial coercive measures had no doubt to be used to discourage him.

In this respect, let us allow Mr Harieche, director of research and planning at the headquarters of Algerian Customs, to give us a few facts. "With us, he observes, if you would put anything at all on sale, people would manage to buy it by all means. Clothes, cosmetics, auto spare parts, electric home appliances etc, everything is available. The facts are thus, you cannot deny them. It is also clear that all merchandise in the country is susceptible to possible smuggling, regardless of its nature. That is a situation which does not exist in any other country. Take the case of Tunisia with which we have a common frontier. It is a country which practically has no smuggling in cosmetics or clothing, to only mention these two items. Do you know why? It is because those articles are available on the domestic market, even if they are expensive.

"In Algeria, on the contrary, these articles are not always available, even when they are produced locally. In order to buy a battery for a watch or a

radio cassette, it is necessary to go to rue de la lyre or 'l'aquiba' market in Belcourt, without considering that it is outrageously expensive. Do you consider it usual that such items are only available in such places? And then you must suspect it is always the middleman who benefits from the situation. Here that can only be the malefactor or the smuggler, when it is not the usual dealer, because the latter also purchases every time considerable quantities which he sells based on arbitrarily fixed prices."

According to Harieche, it is the very nature of our market which causes smuggling to be so active. He explains: "We sometimes have managed to confiscate between 30,000 and 40,000 smuggled watch batteries. Moreover, since it is known that many people use this type of item, we make the confiscated amounts available to retail dealers, who purchase them indirectly at auction sales. Through this example and so many others, one can well imagine that there is practically no merchandise confiscated that does not directly interest the consumer. And the smuggler also, since the latter only operates necessarily in case of a shortage of a given commodity. It is moreover for this reason that many people are closely interested in auction sales. You see they well suspect that when a commodity appears in them, it is because there are good chances of not being on the domestic market."

For customs officials, it is especially on the frontiers that shortages are discovered. One would think that the causal relationship is not always so obvious there. However, each time that there is a question of constant smuggling, that is not misleading: quite often it is that a situation of simultaneous shortage existed previously. On the contrary, that does not mean that it would be necessary for shortages to end to eliminate all smuggling. Here unfortunately, the few statistical indices which we have available, are not of a nature to clarify things. Nevertheless, we will try to see it objectively, by supplying a few examples.

From the state's point of view eliminating smuggling is not only viewed as an act of a legal nature. That is also equivalent to an economic operation. Moreover, the General Directorate of Customs shares this view. One considers there that the confiscation of smuggled items followed by an auction sale is a practice established by usage, a means like any other of supplying the domestic market. Harieche observes "that does not appear obvious, however it is a principle for all merchandise confiscated: whatever its nature, quantity or value, it is generally intended to meet peoples' needs. It becomes available to them, so to say, indirectly through public auctions.

An exception is made certainly for all drugs which are destroyed, keeping only a part, it is reported, for the specific needs of the Algerian Central Pharmacy. Anything connected with fireworks is also destroyed. As for foreign exchange and firearms, one is given to the central bank, the others are sold exclusively to gunsmiths. The public is generally informed of auction sales through the press. The text of the ad indicates the date and place as well as the articles and amounts which are available there. There

then is the fate of the confiscated merchandise. It is a question now of seeing at what basic value they are going to be sold and to what kind of customers.

Let us begin first with the prices. The latter are determined as follows: the first evaluation considers the recovery of taxes and the various import duties. This operation involves all merchandise introduced--legally or not--in Algeria. In the case of a magnetoscope purchased with French foreign exchange and which is worth 5,000 DA at the official rate of exchange in Algeria, 75 percent of the import duties and taxes is applied. The amount obtained--13,000 DA--is going to represent the real value of the magnetoscope on the domestic market.

At first, the import duties and rates may appear excessive. "However, Harieche points out to us we cannot exclude them for we have there a factor in the protection of domestic production. Their amount is naturally based on the degree of protection of the item." Consequently contrary to a very widespread opinion, the duties, rates and assessments on imports are far from being a mere pretext to increase the initial value of a product.

There then follows a fine which is legitimized by the smuggling of the merchandise confiscated. In all cases it is estimated at twice the real value--in dinars--of the product or article. In the case of the magnetoscope, the value will be 27,000 DA, the value at which it is put on sale at auctions. Imagine that at this price the magnetoscope already costs 5 to 6 times its initial value in dinars. And this is not all. For if the item is only placed on sale at the amount based on the calculation of the fine, the auctions are going to increase its value more. It then would cost 2 or 3 times its real or assessed value, that is around 50,000 to 60,000 DA! At the rate at which the sales in question are going, it does not threaten to be within the reach of a small market.

But let one not be mistaken: Auction sales are not going to be profitable only at the large markets. In most cases, the average dealers take turns in buying. Because of a specialized sale--by article and by month--they manage to round up everything which they consider profitable to sell afterwards. With the solidarity between them helping, they generally manage to reach an understanding not to have the same articles. If necessary, their stores are far enough apart from each other. Obviously, their trade could not take place, without the usual profit margin, which they fix as they understand it. Since the article is in heavy demand, you know well that they know unquestionably, at the time they purchase it, if it is available or not on the domestic market and if it is necessary to increase considerably or not the price knocked down at the public auctions.

That amounts to saying that if the auctions are limited--as also is often the case--to relatively reasonable prices, it will certainly not be the markets of these dealers which would suffer from it. In any case, it is

quite clear that the fact of not haggling about the fixed value of an item can only be an expressive indication of good financial health. You must no doubt have guessed who is the big loser in the deal. But what can one do, when you are forced to buy a missing part for your television set, your refrigerator or your kitchen stove.

Of course there are--since it is for them that the auction sales matter the most--dealers with a very special profile: smugglers. Quite often it turns out to be those who already have been caught. Then they also attend--when they are not arrested--with the obvious purpose of recovering their confiscated merchandise. A curious fact, the latter, even after having been confiscated, ends up in some way by returning to the starting point, but not without having followed a more or less roundabout route, first indirectly from the confiscation; then by a forced stay in a warehouse, finally through the medium of the auction sale. The smugglers must gladly say, "auction sales exist to allow us to recover all our goods despite everything." It will be enough to put a price on them. Now for these ambitious but third-rate fellows, nothing can deter them; and even less the fact of having to spend some money.

To achieve their ends, they even go beyond what a regular auction sale can authorize. Their trump card is to bid exaggeratedly higher with respect to the other buyers. Are the amounts sufficiently important to justify such interest? The answer is no. What interests them above all is the invoice which they use to sell many more quantities than it indicates. If this invoice states that they were sold 50 pairs of jean trousers, they will not hesitate to sell 2, 3, or 4 times more, as many times in any case, what the undeclared, unconfiscated stocks would allow them.

Under the cover of the invoice in question, they are going to be able to sell legally--and in lots of 50--as many jean trousers as they have in their hiding places. Harieche had to confide to us, "even the strict inspections could not do a great deal here," and emphasized "the crooks and smugglers are very suspicious people. Their rule is to have available at the place of sale, only the amount corresponding to the figure on the invoice. For our other customs officials they apparently have everything in order. But since we know them only too well, this is generally only a sham, which we sometimes manage to unmask."

For Harieche their activities represent a certain risk for the national economy: "But what can one do before a situation which not only affects our country. Moreover, the national customs face problems similar to ours everywhere. However, that does not prevent them from observing the system of auction sales. It is almost as if, connected with the confiscations of smuggled merchandise, they are not considered a necessary evil. In France, for example, the national customs have their own retail stores. This certainly allows better control of amounts and prices. It must be said that in Algeria things have not gone that far.

The Fight Against Smuggling in a few Figures

1984

The customs services have set up 5,834 road blocks, 3,786 ambushes and opened 416 investigations.

They have recorded 21,056 violations including:

61 for narcotics and 718,500 kg of drugs confiscated.

68 for weapons and 504 items confiscated

3,269 for foreign exchange.

The total for fines and confiscations rose to 139,028,885 DA or 47.7 percent more than in 1985.

1985

7,555 road blocks

4,232 ambushes

616 investigations

The customs services have recorded 19,175 violations including:

99 for narcotics and 1,552 kg of drugs confiscated

62 for weapons and 166 items confiscated

2,695 for exchange and 8,841,019 DA confiscated (exchange value in foreign exchange).

199 for precious objects and an amount worth 45,318,388 DA confiscated.

The total of fines and confiscations rose to 138,792,154 DA

If one relies on Harieche's reasoning, hiding a condition as obvious as the universal practice of the system of auction sales would practically be the same as only considering things like you would prefer them to be: and not like they really are. Just as, in the exact case of our country, one should not lose sight of the fact that at this time, we are still living in the first stage of smuggling, that is physical crossing of merchandise. When in other places everything is already taking place on the level of the movement of documents and electronic control. Consequently, on the level of the national customs, important work remains to continue in carrying out organization and modernization assignments. It is a long range task but certainly not impossible in view of the potentialities which are not lacking. Harieche says to us, "for the moment, it is necessary to recognize all the same that we are not pulling through it too badly. With our present system of auction sales, everyone benefits: the customs, the public treasury, private individuals and to a certain extent and in spite of us, the smugglers also."

In view of the way in which they use the invoice, it is hard to imagine how the latter would not benefit from it. Obviously, the main problem which the use of this document creates is based on its being valid too long. The latter was 6 months, not a long time ago. They had thought at the General Directorate of Customs that it was necessary to reduce it more. "You see, the shorter the duration, the less opportunity the smuggler will have to sell his surplus of merchandise. We must understand by that that the smuggler is obliged--in view of the fact that it is a rule of prudence for him--to

keep his contraband hidden for some time in a warehouse, before taking it out to put it in circulation. Now, the validity of his invoice will have expired, meanwhile. In that way, he will no longer have the time which was given him to get rid of the supposed first lot and sell the rest."

At the present time, the validity lasts 3 months. It seems not for long, for it is still intended to reduce it to 45 days in a short time. We have been assured, "starting from this time, the customs officials will be able to conduct more effective inspections." So be it, but can one believe to the point that this coming reduction of the duration of the validity of the invoice is going to really effect the reduction, indeed cause the pure and simple elimination of the phenomenon of smuggling?

The question had to be asked. It must not be forgotten that this other no less important aspect of the reality experienced underlies it: the cycles of shortage. In this respect, Harieche maintains that the phenomenon, in its casual complexity, can produce some answers, in spite of everything. He supports his point of view with an example he considers significant: that of spirituous liquors and certain brands of cigarettes to the American taste such as Craven, Winston and Marlboro. He indicates "since these brands have been produced in our own plants, the amount of taxes and duties--which one found so high at times--has dropped noticeably for this consumer product. And smuggling has declined also. One can even assert that there is practically no more in this field. The reason is quite simple: it was enough for us to produce these brands ourselves and provide the national market with a steady supply."

If one is satisfied with this answer, one would have to agree with Harieche about the potentiality shown. For the same reason, she'd not one also see there a prelude to a greater capacity for taking over from now on the production of some other imported products? In other words, to definitely end the smuggling which rages at our frontiers, do we have the opportunity--in the short or long term--to flood the market with domestic products which would replace those we now import? Harieche's answer is: "Logic would have it that every need for smuggling or fraudulent practices with a given product would disappear by itself as soon as its intensive production and distribution is taken over on a national scale." Logic...certainly. One should not already have to deal with that.

Total Sales at Auctions - 1984

<u>Merchandise</u>	<u>Amount in DA</u>
Arms and ammunition	26,091,620
Vehicles--motor bikes	63,576,992
Other merchandise	103,829,556
Registration fees	19,450,890
RTA tax	<u>673,390</u>
Total	213,622,348

Total Sales at Auctions - 1985

<u>Merchandise</u>	<u>Amount in DA</u>
Clothing	64,089,408
Weapons and ammunition	50,140,560
Vehicles - motor bikes	43,399,915
Equipment - spare parts	19,236,285
Electric home appliances - electronic	5,475,995
Others (cosmetics, etc)	<u>25,685,685</u>
Total	208,027,848

Meanwhile, there are other indications which make us feel the unfortunate effects of smuggling and by the same token defy all plain reason. The case of cigarettes is regrettably too isolated to allow us to question it. For a very good reason it happens--paradoxically--that which can be profitable for a given product cannot necessarily be so for another: and inversely. The case of clothing--which, however, is a widely used product in Algeria--is too vivid to make us forget this painful evidence: too many Algerians bring in huge amounts of clothing and accessories such as shoes, beauty products, various personal effects etc. Moreover, the amounts confiscated in the fiscal year 1985 total alone the trifle of 6 and $\frac{1}{2}$ billion centimes.

For the same year 1985, the total of amounts confiscated on the frontiers--all merchandise together and not including foreign exchange--approached 20 billion 800 million centimes! Almost the cost of the completion of the

Kharraza Dam (35 km from Khemis-Miliana) whose construction amounted to some 22 billion centimes for a theoretical capacity of 75 million cubic meters. By way of indication, the articles and products most readily introduced are firearms and weapons, electric household appliances and electronic equipment, equipment and spare parts, clothing, drugs, gold etc.

Another example mentioned by Harieche is that of the well-known jute carpets produced in Belgium. But here, it will involve this official emphasizing especially its absurd nature, as he observes it in connection with recent practices. Let us listen to him: "Frankly, we must believe we are the victims of western fashion. If not, how can you explain--under the pretext that it is a new fashion--this sudden infatuation of Algerians with these crude carpets, when we produce ourselves much more beautiful ones. Perhaps, it is because of the prices? Personally I doubt it very much, since our carpets--all things considered--are not more expensive. I believe rather it is due to another reason. This momento has been required for some time in the bride's dowry. Now to obtain it, families are obliged to resort to its import. Consequently its purchase abroad, as a consequence, its introduction in Algeria, often fraudulently. In the case of this jute carpet more especially, this is exactly what is happening today. Seeing that two samples of this item are required to complete the dowry."

Having said that, we must not ignore the fact that smuggling takes place in reverse, leading to the export of products, more especially in the western part of the country. In Morocco, for example, Algerian products, whose price is supported here, are sold very inconspicuously. Coffee, sugar, powdered milk, everything is good for business. In the village of Oujda, which is near the Algerian-Moroccan border, a cylinder of Algerian butane costs 50 DA on the spot, while its public price in Algeria is 15 DA. The same is true for fertilizers and other consumer products whose prices increase considerably on the other side of the frontier. The most usual type of traffic is connected with what one generally calls field smuggling, where the operations of the national customs are the most frequent. But look out for the smugglers! Since they generally hold on firmly to their merchandise, they are armed most of the time. Sometimes the vehicle itself is transformed into a weapon. When it is hurled against an inspection barrier, means in keeping with its size are necessary to stop it. The smugglers themselves can sometimes act at the cost of their lives and that of the customs officials--in order to prevent the confiscation of the booty, 3,000 watches, for example, which is a fortune for them. They know what awaits them if they are caught with them. Then...

Obviously, smuggling connected with auction sales makes you think of an enormous spiral. An activity carried out by highway bandits for some (which does not prevent them from moving about in drawing rooms), an economic safety valve for others, its effect, in any case, is harmful for more than one reason. The customs officials know something about it, they who spend the best part of their lives to tracking down a crime which does not always express its real name.

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AL-SADIQ AL-MAHDI DISCUSSES GOVERNMENT POLICIES

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English Jul 86 pp 30-31

[Interview with Sadiq El-Mahdi by Mohammad Mahjoub Haroun]

[Text]

Even though people were expecting a formation of a national government, you formed a coalition government that excluded some sizeable parliamentary blocs. What were the reasons behind that?

The present government is the most popular government that Sudan has ever witnessed. It is formed of seven parties in parliament representing 80 per cent of the membership of the Assembly, and 90 per cent of the votes of the electors all over the country. We can easily label this government as a national or a national unity government.

The cabinet formation excluded the Islamic National Front (INF) because the latter adopts Islamic views which would weaken the government. The INF still adopts views that fail to consider some of the realities of the present time. Its attitude to the non-Muslim Sudanese might unify them in opposition to the new Sudanese government. Such opposition could threaten the security of the state. The views of the INF could also isolate the country internationally. Given all these factors, I think that representation of the INF would add nothing and only serve to weaken the government.

We have already denounced the Islamic orientation of the May regime's so-called commitment to Islam. In contrast, we have endorsed a more moderate Islam which is supported by the majority of the Sudanese people. This policy offers a proper Islamic practice that considers all the social variables and the realities of our

present time, while preserving the rights of the non-Muslim minorities and creating a satisfactory climate for the conduct of international relations.

Our government is supported both inside and outside the Assembly. The representation of the INF could have added extra parliamentary weight to the government, but it would jeopardise its political image.

You referred to the representation of the INF as one of the obstacles in establishing good international relations. But some observers consider this attitude to be that of the international forces opposed to any genuine Islamic practice.

We won't wait for international forces to impose on us the methods it wants us to adopt. During my visits abroad, I have been explaining the facts of Islam. Whenever I was faced with an allegation that Sharia imposes harsh penalties like amputations, I have gone to great lengths to refute it. The penalties in Islam take into account social considerations, and the satisfaction of one's needs. The have-nots have no fear of amputation for wrong-doing. International society can attack us if, and only if, we implement Sharia in the way Nimeiri did because he failed to consider the requirements for the proper implementation of Sharia.

There is also the question of the rights of the non-Muslim religious minorities. In some international forums it is said that in an Islamic state the non-Muslims are treated unequally. This is inaccurate. In genuine Islamic practice the non-Muslims

are reserved equal rights along with Muslims. Under Nimeiri these rights were not reserved, not even considered, and this resulted in the attacks against Sharia.

The Islamic attitude of international relations is based on the maintenance of peace and co-operation. Nimeiri had also neglected this Islamic directive, and this was the reason why his regime generated foreign hostility. We have to consider these Islamic directives. If those forces continue their campaigning against us, then we will act accordingly.

The attitude towards Sharia or what some political forces call the September 1983 Laws, varied both among the different parliamentary blocs and the forces that formed the cabinet. What is the government's official attitude towards these laws?

I don't think our attitudes vary from those of our allies. But they won't be clarified unless these laws are presented to the Assembly. If you take for example the penal code of 1983, it will be quite clear that all the government parties call for its abolition. It is true that there is some controversy concerning the present form of the Hudud. The form of these Hudud in the September 1983 penal code, does not conform to the true Islamic (Hudud). This fact can be proved by the *Had* of Theft, the zakat code, and the abolition of riba.

What we need is a substitute Islamic legislation that considers the realities of our present times based on the Islamic principles, using the medium of (ijtihad), which is passed by an elected legislative body. If we amend these laws in this way, then they will be very different from Nimeiri's laws. This will be the method which the government will opt for.

I understand that the immediate substitute you present in case you abolish the existing laws will be an Islamic law without having a transitional period during which a non-Islamic law will be implemented?

Yes, I mean that.

The "question of the South" is one of the major challenges that face your government. What in your view is the nature of this problem?

The problem of the Southern Sudan is rooted in the longstanding differences between the South and North and their respective attitudes to national structures. In the North this structure is formed by Islam and Arabism, whereas in the South it isn't. The policies of the colonialists have also added to the complexities of this

problem by enlarging the gap between the two parts of the one country. Some extra new factors like the Christian Missionaries and the imposition of the English language in the South added further complexities as well.

In addition to these historical problems there has been the problem of underdevelopment in the South, which created a sense of injustice among the Southerners, not to mention their limited participation in the national life of the country. I think that all these factors have contributed to the creation of the problem in its present realities.

On the other hand there is a possibility of arriving at a political settlement which could solve this problem. This possibility will become greater if a serious meeting between representatives of the North and South is held. We have already made an agenda to deal with this problem, and all the parties concerned have approved it.

It is thought that your early adoption of the unity of the Southern regions has contributed to the complications standing in the way of a mutual understanding between you and the Southern political forces?

We have adopted no attitude on this issue. We said that it is entirely a Southern affair. In our government we have Southerners who support the idea of the unity of the South and others who don't. We convinced all the Southerners that Nimeiri was mistaken when he interfered in Southern affairs. It doesn't matter for me whether we have a united or a divided South.

Despite the economic deterioration of the country the government hasn't yet opted for clear economic policies. What difference is there between the deposed regime's policies and views and the policies and views of the elected government?

This claim is inaccurate. We have presented our electoral programmes which clearly showed our economic choices. What we have said is that when the Assembly holds its second session after the Eid holiday, the government will present its programme. It will explain in this programme how it plans to carry out the objectives of the economic charter which the political parties have previously agreed. Our priorities should be the encouragement of production, and to soften the severity of the economic crisis for the masses, while curtailing expenditure on luxury items. We have

already made a considerable effort in all these respects.

You have been known for advocating modernisation inside the party. But some observers argue that the result of the last elections showed that New National Umma Party (NNUP) still depends on its traditional supporter. Could this be seen as evidence of the failure of your modernisation drive?

Those observers are not right for the following reasons. First, the NNUP has gained new ground as it had for example won most of the constituencies of the towns like El-obied and El-Fashir in the Western part of the country, Sinnar and Singa in the central region and Kassala and Gedarif in the Eastern region.

Secondly, our party was fiercely competing in the constituencies where

there are modern forces at work, and I think that had the Legislator considered the formula of the modern forces instead of the Graduates Constituencies, we would have gained even more of the workers, farmers constituencies, the professionals. I also think that the new orientation of the party has attracted many graduates to it. Our problem in this respect, if any, was an organisational one.

If you classify the NNUP MP's you will find out that half of them are graduates, and this is a new phenomenon. The number of graduates among the MP's exceeds the whole number of the NIF's MP's. We have no doubt that the presence of our party among students, farmers and workers is greater than it has ever been before. This is because of our modernisation tendencies.

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OPPOSITION LEADER TAH A DISCUSSES ISLAMIC LAW, SOUTH

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English Jul 86 pp 32-34

[Text]

Ali Osman Mohammad Taha, a former judge, came to prominence first as President of the Ikhwan-led Khartoum Students Union which bore the brunt of Nimeiri's onslaught of the Islamists in 1969-70, just after the communist-supported coup. His skilful handling of the fight firmly established the Islamists in the leadership of the Union, a position they still hold. During most of Nimeiri's rule he was involved in underground work, mainly among students. He emerged in public life again after the national reconciliation deal in 1977 serving as a parliamentarian, and was the last leader of the People's Assembly (Parliament).

His choice as leader of the opposition in a house containing over 50 high calibre Islamists, testifies to the prominence that this soft-spoken judge has achieved in the movement, and the trust he enjoys among the rank and file as well as the leadership.

The Secretary General of the Islamic National Front has affirmed that the INF has opted for opposition. Why?

There are two reasons why the INF has chosen to place itself in opposition. First, the INF is both an ideological and a political entity. The INF has argued for the necessity of a charter as a minimum requirement for the cohesion needed for holding the government together. The political force represented by the Umma Party (UP), the Democratic Unionist Party, (DUP) and the INF failed to come to an agreement on the charter because of their conflicting views with respect to some substantial questions like the South and Sharia.

Secondly the INF was calling for a homogenous national government according to an agreed charter backed by sizeable parliamentary and popular support in order to deal effectively with Sudan's growing economic and political problems. It was clear that the attitude of the UP and the DUP towards the formation of a national government was not as sincere as that of the INF. They intended to have as many ministerial posts in the cabinet as possible, and this enlarged the area of disagreement between us.

Despite the existence of prominent figures as MP's in the opposition bloc the opposition is still thought to be rather weak. Can you comment?

On the contrary, I think the opposition will be highly influential for at least four reasons. First, the size of the INF means it will be the first time that a Sudanese Parliament has had a viable opposition party.

Secondly the INF element in Parliament will have substantial leverage as a result of its overwhelming success in the graduate constituencies. Third, the opposition has a clear ideological and a political programme, that specifies its objectives. Fourth, the weak structure of the two allied parties and the ambiguity of their policies will surely displease their MP's which might increase the opposition's chances for getting extra support from within the ruling coalition.

But the INF does not have sufficient status to influence decisions within the constituent assembly. An opposition cannot have a majority. But I think there are some basic issues that are likely to be

the subject of dispute even within the two allied parties. The question of the continuity of the application of Sharia is one of those questions. The question of the way according to which the Southern part of the country will be ruled is another controversial question. While the UP stands for the unity of the South and the ultimate rejection of division, the DUP has preferred to keep silent. The Southern Parliamentary bloc is advocating the division option. The Prime Minister, in an attempt to cool the matter down, asked the Southern politicians to represent the South in the cabinet.

If the opposition can present its viewpoint clearly and persuade some other parliamentary blocs to support it, this may even lead to the dissolution of the existing alliance. It may, at least, lead to the adoption of the viewpoints of the opposition by the government.

The INF has already opted for the maintenance of the Islamic orientation of the country. How do you plan to launch such a campaign from inside parliament?

The maintenance of the Islamic orientation of the country has two aspects. On the one hand it depends on the mobilisation of the masses towards Islamic values and morals. The Sudanese Islamic movement has already made much progress in this direction. It has embodied these notions and established voluntary organisations and popular institutions that have been assigned to carry out the programme of the hoped for social change.

On the other hand, the INF will struggle to maintain the essence and spirit of the Islamic laws enacted in 1983. In order to afford the opponents of Sharia no excuse, the INF has showed the maximum flexibility before and after the electoral process. It has affirmed that it does not stand against any attempt to revise these laws since this will result in a complete adoption of the Islamic laws with no delay.

The INF will encourage those MP's who employed Islamic slogans during their electoral campaign to remember their promises. Many MP's raised Islamic slogans to secure popularity and support. The INF will challenge those MP's to make good their commitment. Personally, I am quite certain that the INF will make significant progress in this respect.

You have criticised the formation of the cabinet because it is based on a compromise. What are the advantages and disadvantages of such a cabinet?

The only advantage is that the formation succeeded to satisfy the aspirations of some leading personalities. It was only because of these compromises that they could form the cabinet.

On the other hand there are many disadvantages. The way in which the government was formed reflected the gulf between the leadership of the allied parties. Although these parties kept on talking about experienced leadership as a minimum requirement, the appointments proved otherwise. Some ministers joined the cabinet without having a minimum knowledge about their ministeries, while some qualified figures didn't obtain any seats in the cabinet. The formation of the government has frustrated those personalities and enlarged the gap between expectations and realities.

According to what you have just said, don't you agree that the essence of the problem rather lies in the nature of the political structure of these parties?

Yes, this is one of the factors that threatens the continuity of democratic rule in the country. The Sudanese people are now searching for public leaders and policies that the existent party structures can hardly fulfil. There is a big gap between the declared policies and actual practices. Everything is subject to logic compromise. For instance the priorities of services and development will not be rated according to approved scientific plans. The government will be strongly influenced by tribal and regional pressures.

The defects caused by the spirit of compromise and concession will open a door for political corruption which will be accompanied by frustration among the masses. If such a corruption takes place it will damage the democratic system in the country.

The Prime Minister has said that the INF has been excluded from the cabinet because its representation will weaken the government and lessen its chances for improving relations and understanding with foreign powers, non-Muslims and the Sudanese intelligentsia. What is your comment on that?

I don't think the Prime Minister meant what he said. Right up to the day when the cabinet declared the Prime Minister, he was negotiating with us about the details of a national cabinet in which the INF was to participate. Thus there is either contradiction between what he says and does, or his political manoeuvring betray a lack of guidance necessary for our political leaders. This may indicate a grave moral and political crisis.

I would also like to say that the southerners accept that the INF is the only political entity that is sufficiently close to them to bring about agreement on sensitive political issues. It has already expressed agreement with some of the INF's views concerning the future of the South and on the best way to maintain its cultural heritage. It is true that there is yet some controversy over the application of Sharia but the agreement upon other issues has greatly helped us bridge the gap.

The Prime Minister claims that the INF is not accepted abroad. But this is more of an indication of the government willingness to please foreign powers, than a reflection of the INF's foreign popularity.

The security question represented by the war in the South is one problem faced by the government. How do the opposition view this problem?

The Southern question has its local aspect represented by the ethnic and cultural variances and the economic backwardness in the South. But we must bear in mind that the Sudan is not an exception among the Third World, and the developed countries as well. These kind of cultural differences have never been a reason for undermining the national unity to the degree experienced in the Sudan. Historically, the political leaders in the South and North have established good relations all through the years of national rule. For instance, the 1965 Round Table Conference and the proposed 1968 constitution stand as adequate evidence for mutual understanding. The aforementioned landmarks disprove the allegation that agreement between Southerners and Northerners is impossible.

The thing that complicates the Southern question is no doubt, the intervention of the foreign powers. There is no way to resist this foreign intervention unless we strengthen and intensify the dialogue between the leaders of both parts of the

country so as to build mutual confidence that stands against foreign penetration.

Secondly the parties and government in the North are supposed to direct their efforts towards addressing the masses in the South at the grassroots level. These efforts must be directed towards paying more attention to the South and building a diversified yet united society.

According to your answer it seems as if you think the proposed constitutional conference is not likely to solve the Southern problem?

Yes. We have to be frank on this issue. We have already exercised three unsuccessful compromises: the Juba Conference (1947), the Round Table conference (1965) and the Addis Ababba Accord (1972). So as not to get frustrated in the fourth experience we should not put all our eggs in the basket of the constitutional conference. It should be viewed only as being a station where we can come to a cease-fire agreement, a point where we can achieve the goal of maintaining the maximum degree of mutual understanding between the disputing parties. If we could achieve these goals through the constitutional conference it could be rated as a successful conference.

Along with the security question there is also the question of how to put right the ailing economy. How do you view this problem?

The Sudanese economy, as I see it, is not that hopeless a case. The problem lies in the absence of adequate long-term and short-term economic policies that can reverse the Sudan's economic decline.

On the other hand the economic reform which we need is itself in need of a strict government implementation. The strict implementation can't be guaranteed unless there is adequate public supervision. It also requires uncompromising leaders who will not yield to pressures mounted on them, and who leave no room for corruption. The Sudan is very rich with resources. The essence of the problem lies in creating satisfactory political structures, capable of using them effectively.

Does it seem probable for you that due to some new alliances that may take place inside the parliament, the INF will participate in a new cabinet?

The alliances we witnessed in the Sudan have naturally been very unstable. The current alliance seems even weaker because it is faced by formidable

challenges. The opposition will not be concerned with the struggle for the dissolution of the government. We will adopt a method that attempts to point out the wrongs to be corrected, even if this leads to the dissolution of the government. In that case we will be ready to join a government based on clear principles and formed of leaders who are ready to bridge the gap between their ideals and their actions.

Based on the results of the last elections, can we conclude that the INF has opted for democracy as a sole means for power?

The Sudanese Islamic Movement has since its birth, opted for open, popular political action. It is because of this it threatened the oppressive dictatorial

regimes, especially those regimes which tried to bar its way towards addressing the masses. Thus the Sudanese Islamic Movement could easily develop into a tremendous popular movement as has been demonstrated by the results of the April elections. Some other Islamic movements abroad have been swinging between elitism, popular work or using the military to topple the regimes they oppose. In the Sudan we have always focused on the option of open popular work, and that is why we succeeded. This new vision has disturbed the other forces both locally and internationally. They have been afraid that if the INF continues its work in this way it will attract huge support.

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ISRAEL NAVY 'DECLINING'; NEW HELICOPTER REVEALED

Jerusalem THE JERUSALEM POST in English 30 Jun 86 p 4

[Text]

The Israel Navy yesterday revealed its latest acquisition, an anti-submarine helicopter which will boost the service's attack capabilities. At the same time the commander of the Navy warned that if the government did not take some crucial decisions soon about upgrading the fleet, "then there will be no Navy in 1992."

Referring to plans to equip the service with Saar V missile boats and new submarines, OC Navy Aluf (Maj.-Gen.) Avraham Ben-Shushan said that eight to 10 years were needed to plan, develop and produce a major weapons system. The authorities have spent years evaluating and re-evaluating these systems, but they still exist on the drawing board only.

"The time for reflection and consideration of alternative solutions has passed," stressed Ben-Shushan.

Contracts have to be signed with the Americans by the beginning of next year to meet the 1992 target date for equipping the fleet with Saar V missile boats and new Dolphin-class submarines, Ben-Shushan told reporters in advance of Navy Day, being marked today.

The Arab navies are not marking time and are reinforcing their fleets with the latest weapons from the East and West. The principal naval threat facing Israel is the Syrian navy, which has up-to-date Ossa II missile boats, submarines and anti-submarine helicopters. The Soviet-supplied Sepal ground-to-sea cruise

missile in the Syrian arsenal has a 300-kilometre range and is almost capable of hitting Tel Aviv, said Ben-Shushan.

Because of financing problems, Israel has been forced to turn to the U.S. to help upgrade its fleet. The whole budget for re-equipping the fleet was "a mere \$1.2 billion. The accounting mistakes in the Lavi programme could pay for the Navy's building plans," said Ben-Shushan. The cost would be some \$520m. for the missile boats in the U.S. and about \$450m. on submarines, more than half of this to be spent in Israel.

Since there are no shekels to finance building the Saar V boats in Haifa, which has the expertise to construct them, the craft will have to be built in the U.S. But since the U.S. Navy opposes building diesel submarines, they will have to be built elsewhere. The Israel Shipyards does not have the expertise to construct a complete submarine in Haifa so they will be built partly in Europe and finished in Haifa, said the commander.

Ben-Shushan noted that the recent visit by a U.S. delegation headed by Assistant Under-Secretary of Defence Dov Zakheim had found that all the Navy's figures for the development and production of new craft had been correct, and had required only a decision on the political level to proceed.

The IDF's new helicopter, the Dolphin, is a development of the

French Aerospatiale Dauphin and is manufactured for the U.S. Coast Guard by Aerospatiale Helicopter Corporation in Texas with engines and equipment of U.S. manufacture accounting for about 60 per cent of the total cost of each aircraft.

According to *Jane's All the World's Aircraft*, two Dolphins, procured with U.S. foreign military sales funding, have been delivered to Israel for evaluation to meet a requirement for up to 20 helicopters for the IDF. The Dolphin revealed yesterday was described as an anti-submarine weapon and Ben-Shushan said that it had "widened the navy's horizons."

The U.S. Coast Guard uses the aircraft for short-range recovery (rescue) missions and according to *Jane's* it has a range of 760

kilometres at a maximum speed of 200 kph.

The Dauphin from which it was developed has various attack configurations and the French manufacturers fit these craft with air-to-surface missiles and anti-submarine detection devices which are lowered into the water. Other versions can detect threats over long ranges while tracking 10 targets simultaneously. In addition to attacking hostile warships, the helicopter can be utilized for coastal surveillance and ship escort duties, and to provide over-the-horizon target destination for long-range anti-ship missiles launched from ship to shore.

The Israeli Dolphin is carried on Saar IV missile boat and is flown by three IAF crewmen under the orders of the ship's commander.

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JERUSALEM MAYOR INTERVIEWED ON DEMOGRAPHIC TREND

Tel Aviv SPECTRUM in English No 6, Jun 86 pp 18-21

[Text]

Mayor Teddy Kollek personifies the spirit of the united city. He himself is a political paradox: a Labour man in a Likud town, a secular Jew in an increasingly religious city, a master builder who opposes settlement in the West Bank. He spoke to Spectrum about the city's past and future

SPECTRUM. It sometimes seems that the agenda of Jerusalem is a national Israeli agenda rather than a world Jewish and municipal agenda. Yet you have complained about not receiving enough attention from the Israeli government.

Kollek There is no contradiction between the beginning and end of your question. All Israel governments, and I say this very clearly, are run on a colonial government basis with regard to municipalities.

We are living under a British municipal code. It is one of the few codes that has not been changed. Every little thing depends on the government. We are not responsible for anything. Or, we are responsible but do not have the authority to accept that responsibility.

In this there is no difference between Likud and Labour governments. Also the government does not give the city the means it needs. We are 200 classrooms short in the Arab education sector. So 20,000 children are being educated in places over which we have not the slightest control. This is just one example. We do not try to educate Zionists in Arab schools. This is not our purpose and would be an unachievable goal. But in the municipality's [Arab] schools there has never

been a strike nor a demonstration, no Arab flags are raised, no tyres are burnt. Their teachers participate in teachers' seminars and meetings. There is a reasonable relationship. In schools over which we have no control the situation is different.

The question of means is relevant but even more important is the question of sharing responsibility. Greater power for the municipality means greater power for Jerusalem's neighbourhoods and a chance for self government. One of Israel's problems developed in 1948 with the establishment of the state. People began to believe that "the state can do it". The state is only its people, but there was some kind of an image created that the state apparatus could take over and there was a regression in volunteering. In civil questions the spirit of volunteerism is lacking. We are trying to introduce it into Jerusalem. Talk of democracy is only theoretical. Without practical application it means nothing.

Many analysts say religious-secular tensions among Jews may be Jerusalem's most serious problem. Do you agree? Why has the city been relatively more successful in fostering Jewish-Arab and Jewish-Christian coexistence than in finding a modus vivendi for religious secular coexistence?

There is an exaggerated fear of the secular by the religious. But let's start with the secular. I believe that there is a psychosis that the religious are winning out and in a short period this will be a city ruled by the ultra-Orthodox groups. This is not so. Over the last two decades we have made tremendous progress with regard to the general character of the city. We now have theatres, music, an annual festival, a cinematheque which is filled every evening with 1,000 people. We have a pedestrian mall where people sit out in the cafés. But we have also to contend with a feeling of some, that theirs is the only way of Jewish religion. It is not. There is a great Reform centre going up which is already active and brings a few thousand youngsters to Israel every year. This fear that is being conveyed prevents people from coming here and it is a psychological barrier that we ourselves create. And we also fall into the trap of the Orthodox who say they are the only ones who maintain religion. Secular Jews somehow absorb this idea. Maybe this is true, maybe we are lesser Jews. Between this and the desire of both large parliamentary parties to keep the option open to have a coalition with the religious parties - which means a greater giving in to their demands - the pressures on us here in Jerusalem grow.

There is no comparative situation with the Arabs or the Christians. Until two or three years ago religious-secular cooperation worked extremely well. Agudat Israel [an ultra-Orthodox party] was a good and faithful member of the city coalition. I think we should satisfy legitimate Orthodox needs for schools and more services.

In Jerusalem we must show more respect toward traditions than in Herzliya or Haifa. Jerusalem obligates. This is an internal debate. There are many people in the Labour Party who are against it.

What about the city's demographic trends?

The ultra-Orthodox are increasing by four or five hundred families a year. Partly because of large families and partly because of some immigration. But this will not necessarily affect the character of the city now, maybe in 10 or 15 years. Until then the pendulum may well swing.

On the other hand, we have the cultural activities already mentioned. In the Israel Museum 15,000 young children are active in painting, sculpting and dramatic activities. All this is a counterweight against ultra-Orthodoxy.

The success of your public relations, fundraising efforts and tolerant administration is legendary. Outside of Israel you seem to be more universally accepted than the principle of the indivisibility of Jerusalem as Israel's capital. Most countries which maintain diplomatic relations with Israel maintain embassies here in Tel Aviv. How successful is the campaign to gain international recognition for the united Jerusalem?

This is a very difficult area and I think many things being done in Israel are counterproductive. Prime Minister David Ben Gurion's 1949 declaration makes all the necessary statements about Jerusalem being the capital of Israel, that no foreign interference, United Nations or otherwise, will ever change this. Over many years we brought gradually 17 or 18 embassies to Jerusalem and progress was continuing. Then we had this stupid "Jerusalem Law" of [Techiya MK] Geula Cohen declaring Jerusalem the capital. There is no law about London or Paris being the capitals of their countries. As a result all these embassies left. Guatemala has come back. Maybe El Salvador is coming back. We recently asked one head of state to return his embassy to Jerusalem. He said, 'Why do you ask me to repair the mistakes of Geula Cohen?' A much stronger government leadership is needed. It is very difficult to renounce such a law once it exists. But certain steps could be taken to show the goodwill of the government. And it would help.

We are making slow progress. Last week United States Attorney-General Edward Meese was here and travelled all over the city with me including East Jerusalem, what used to be Jordanian territory. Until a year ago no major American representative went to East Jerusalem accompanied by an Israeli official.

How did Likud settlement policies affect Jerusalem?

Jerusalem was badly harmed by settlement of the West Bank, particularly by settlements ringing the city. In 1967 the boundaries of Jerusalem were drawn up comparatively large. New suburbs larger than many cities in Israel created the boundary. Gilo will soon have 40,000 people. Ramot will have 30,000 people. That is larger than Karmiel or Kiryat Gat and double the size of Dimona. These new neighbourhoods did not receive the same support as small places in the West Bank. There is no settlement in the West Bank without a synagogue. Almost all West Bank neighbourhoods have swimming pools. The government did not do the same for Gilo or Ramot.

But the settlements a few hundred yards from here denuded Jerusalem of Jews. According to our town plan there is room for another 30,000 building units for Jews without requisitioning a single inch of additional land from Arabs. This should be filled before going to other places. I am against settlement on the West Bank not because I believe giving up that territory will bring us peace. We shouldn't give up anything we really need. But I think the West Bank is bad for us.

Under your tenure Jerusalem has changed. It is much larger, the cultural reality is more diverse and developed. On balance, is there anything that you miss about the older, smaller, more intimate capital? If you had to do it all again, is there anything you would do differently?

On the whole, no. I think we have a good record from the point of view of town planning, we have a good record from the point of view of relations with everybody. We have not driven home the fact that there have never been more Torah studies anywhere in the world than in Jerusalem, and that could only happen in a Jerusalem under an Israeli government which supports religious study and a city of Jerusalem which treats the ultra-Orthodox respectfully. I think we would act the same way toward the Orthodox and toward the Arabs.

The greatest mistake we made is that we have not more Jews here, partly because of the settlements around Jerusalem. Maybe I should have resisted louder than I did to the Jerusalem Law. I don't know. I know of many small mistakes, and we're making them every day. But I don't think we made any great mistakes in policy □

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CENTRAL BANK, BANKERS' ASSOCIATION REACH COMPROMISE

Nicosia MEMO in English 26 Jun 86 p 19

[Article by Jeannie Yamine]

[Text] Lebanon's central bank and the Lebanese Bankers' Association have reached a compromise agreement reversing the most controversial measure recently imposed by the Banque du Liban in an attempt to prop up the country's currency. Jeannie Yamine has more details on the settlement of the Banque du Liban/Bankers' Association dispute.

The May 30th agreement ends a three-month conflict between the Banque du Liban (central bank) and the Lebanese Bankers' Association over the former's hiking of commercial banks' legal reserve requirement from 18 percent to 22 percent of total deposits. Another bone of contention between the two parties was the central bank's March decision to sell Treasury bills directly to the public.

The 10-point agreement was announced by Lebanon's prime minister, Rashid Karami, after four weeks of intensive and often heated negotiations. Under the new agreement, the non-interest bearing legal reserve requirement is set at 10 percent of commercial banks' deposits in Lebanese pounds.

The agreement also calls for the following:

- Banks with total deposits amounting to less than LL 1 billion are required to keep 15 percent of their deposits in Treasury bills.
- Banks with total deposits over LL 1 billion must keep 30 percent of their deposits in Treasury bills.

— The legal reserve requirement for banks which have subscribed in Treasury bills 50 percent of their deposits is 8 percent.

— The central bank will discount Treasury bills to commercial banks that subscribe over 30 percent of total deposits. The discount facility will cover a proportion of subscribed bills equal to the percentage margin by which banks exceed the 30 percent mark. The discount rate is calculated on the average return on Treasury bills, plus 2 percent.

— The central bank retains the right to discount Treasury bills in special cases, according to conditions it deems appropriate.

— The penalty interest for failure to comply with the legal reserve requirement is 120 percent.

— The legal reserve requirements are calculated twice a week.

— Credit ceilings are 60 percent of total deposits in Lebanese pounds.

The agreement, which went into effect on June 10th when the central bank issued Circular 657, also calls for the formation of a committee in charge of maintaining the dialogue

between the central bank and the Bankers' Association.

Not everyone was happy with the compromise. According to a French-language Lebanese economic weekly, some members of the Bankers' Association believe the new agreement favours larger financial institutions by lumping commercial banks into two major categories (those with deposits under LL 1 billion and those with deposits over LL 1 billion).

A majority of Lebanese banks fall under the first category and will now be required to keep 15 percent of deposits in Treasury bills (compared to 30 percent previously). Meanwhile, the larger banks have seen their required deposits in Treasury bills cut in effect by up to 40 percent.

Another feud, this one pitting the central bank against the Ministry of Finance has also been settled for the time being. At the root of the bad blood between the two institutions is the central bank's recent refusal to extend further credit to the Treasury.

The matter came to a head in late May when the central bank refused to open letters of credit for petrol imports. The refusal produced one of the worst petrol shortages in Lebanon.

on in 11 years of war.

The central bank, whose claims on the Ministry of Finance had reached LL 17.7 billion by mid-April, views the Treasury's seemingly unbridled expenditures as one of the causes of the local currency's depreciation. It is also concerned that the extension of a further line of credit would only fuel an inflation rate that is currently running at 50 percent a year.

The move by the central bank produced vitriolic exchanges in the media between Governor Edmond Naim and Finance Minister Camille Chamoun. Not until yet another mediation effort by Prime Minister Rashid Karami did tempers begin to cool and a compromise reached. The Banque du Liban has pledged up to LL 10 billion in loans to the Treasury between now and the end of the year.

Meanwhile, the Lebanese pound continued its plunge, closing at a record low of LL 39.75 against the dollar on June 11th. Since January, the Lebanese pound has lost almost 50 percent of its value. The latest slide was attributed to the Amal-Palestinian clashes around the West Beirut refugee camps.

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PAPER REPORTS ON SOARING PUBLIC DEBT RATIO

Nicosia MEMO in English 26 Jun 86 pp 16-18

[Article by Dr Nasser Saidi]

[Text] Lebanon has one of the highest ratios of public debt to income in the world, as well as one of the highest fiscal deficits as a proportion of national income. In the second of a three-part series, Dr Nasser Saidi discusses the effects of Lebanon's 11-year war on public finances.

In accord with a general liberal economic policy stance and a "laissez faire" approach, the prewar period reflects a limited role for government both in terms of the size of the public sector and in terms of scope of activities. The government did not play an active role in the development of the economy, nor were there any serious attempts at counter-cyclical economic policy.

As a proportion of GDP, the size of the government sector averages 14.3 percent with relatively little variability.

The war period has led to a radical change in the importance of government in the structure of the economy. The growth of government expenditures has been faster than price inflation, and the average growth rate of real spending for the 1975-1985 period is about 5 percent per year.

Since aggregate output and real income was falling during this period the net result has been a tripling of the relative size of government. The share of government in GDP is now running at more than 45 percent, having risen in every year since 1976 (table 1).

Table I
Government Expenditure
1974, 1982-1985
(In LL million)

	Government Expenditure	Real Government Expenditure	Gov't Exp. to GDP	Growth Rate of Gov't Exp.
1974	1219	1219	14.9	7.3
1982	9120	2260	37.6	2.3
1983	9974	2306	39.2	2.0
1984	11774	2313	42.3	0.3
1985	19330	2238	45.4	-3.3

Sources: Saidi (1984); Bank of Lebanon; Beirut Chamber of Commerce

Several factors account for the continued growth of government spending. First, unlike the private sector, the government has not laid-off workers, employees and bureaucrats despite large-scale absenteeism and low productivity.

Indeed the size of the public sector workforce has increased both in total numbers and as a share of the total economically employed labour force. Further, wages and salaries have been raised over the years to partially adjust for inflation.

Second, the government has been actively subsidising the price of a number of commodities — namely petrol, sugar and wheat — and domestic prices were maintained at a fraction of world prices. Indeed it is highly ironical to note that the Lebanese government and, consequently, the general public have been subsidising petrol consumption in Syria, Jordan and Israel over the war years, since subsidised petrol was smuggled across the borders on a large scale. [In 1986, the petrol subsidy stopped, but merely because world oil prices have declined at a faster rate than the Lebanese pound has been depreciating. This is temporary since even though world oil prices may remain at current depressed levels, the Lebanese pound is likely to depreciate at a rapid pace and the subsidy will return.]

Third, since 1982 defence spending by the central government has been rapidly increasing and is the single largest item in both budgeted and actual spending. In conjunction with so-called "reconstruction expenditure", military spending has led to a sharp upsurge in total government spending.

Fourth, past deficit spending has implied a dramatic increase in the public debt and consequently in interest payments on the public debt. This latter component of total government expenditures is the fastest growing of all: interest payments on Treasury Bills have risen from LL

139 million in 1980 to LL 1,425 million in 1983 and are now running at more than LL 5.5 billion, both because of the rise in the Treasury Bill rates and the rise in the size of the outstanding debt.

Indeed it is likely that interest payments now exceed total government revenue, which is an impossible situation to sustain. Eventually, in the very near term and in the absence of a radical change in public finances, the government will have to resort to the "inflation tax", that is money finance of its budget deficits.

Tax revenue

Though warfare has not prevented the government from increasing spending, it has had disastrous consequences for revenue. The war-induced decline in income along with the difficulties and inefficient tax collection have caused a decline in tax revenue proportionally higher than the underlying decline in the tax base (table 2).

By 1984-85 total revenues corrected for price inflation had declined by more than 50 percent relative to their 1974 level, and the share of taxes in GDP had declined to little over ten percent.

Several factors contributed to the decline in revenue during the war period. First, tax and non-tax revenue are a function of tax rates and the evolution of the underlying tax base. The decline in aggregate income because of the war, itself implied a fall in the tax base and consequently in revenue. The second reason for a decline in revenue was, the inefficiency and inability of collecting taxes due to the lack of authority of the state and the breakdown of the judicial system and enforcement of laws.

By far the most visible case is that of customs and trade tax revenue where ports are in the hands of various private parties or militias. However, private parties and militias have also been able to control the collec-

Table 2				
Tax Revenue 1974, 1982-1985 (In LL million)				
	Tax Revenue	Real Tax Revenue	Tax Rev to GDP	Growth Rate of Revenue %
1974	1270	1270	15.6	15.2
1982	2926	725	12.1	-15.4
1983	2981	698	11.7	-3.8
1984	3287	646	11.8	-7.8
1985	4858	562	11.4	-13.9

Source: Saidi (1984) (1985); Bank of Lebanon; Beirut Chamber of Commerce

Table 3				
Revenue Losses, 1975-1985 (In LL million)				
	Actual or Estimated Revenue	Expected Revenue	Revenue Loss	% Loss
1975	799	1200	-401	-0.33
1976	152	859	-707	-0.82
1977	1439	1519	-80	-0.05
1978	1476	1721	-245	-0.14
1979	1920	2252	-332	-0.15
1980	2190	3005	-815	-0.27
1981	2878	3634	-756	-0.21
1982	2926	3936	-1010	-0.26
1983	2981	4141	-1160	-0.28
1984	3287	4566	-1279	-0.28
1985	4858	6897	-2039	-0.3

Notes: Col (2) expected revenue based on the relationship between income and tax revenue
Col (3) = col (1) - col (2)
Col (4) is equal to col (3) as a percent of col (2)

tion and disposal of revenue within existing and functioning government administrations.

Third, the Lebanese tax system is not responsive to inflation: various duties, charges and rates are on a specific basis and do not rise with price inflation. The absence of any indexation of revenue to the inflation rate and price increases generates a tendency for real revenue to decline as inflation rises. This last factor as a source of loss of revenue has become more important in the past two years as inflation has accelerated.

How important has tax evasion and inability to collect taxes been over the war years? On the average, revenue would have been higher by about 30 percent in the absence of inefficient tax collection and evasion (table 3). Note that this refers to total tax revenue. For particular sources of revenue such as customs, the loss rate is probably much higher and in the region of 80 to 85 percent.

Deficits and public debt

The net result of the diverging evolution of government spending and revenue over the 1975-85 period is the emergence of a structural budget deficit and an explosion of government indebtedness to finance the ever rising deficits.

In the pre-1975 period, deficits or surpluses were small and rarely exceeded 1 percent of GDP. However, beginning in 1975, budget deficits have risen to an incredible 36 percent or 53 percent of GDP by 1985 depending on the measure of the budget deficit. (The budget deficit can be measured by using) the difference between reported/estimated government spending and revenue (or by using) the change in public debt on an annual basis as a measure of the budget deficit on the financing side (table 4).

The important feature is that under either definition the budget deficit is large, is growing faster than inflation so that the real deficit is rising, and has been accelerating as a fraction of GDP. Indeed, few countries except those approaching a hyper-inflationary situation appear to have attained such high deficit ratios.

The pattern of the evolution of debt is consistent with the evidence on government spending, revenue and deficits. Over the prewar period the public debt, both in nominal terms and relative to income, was small. The public debt to income ratio fluctuated around an average 2.1 percent of GDP, with a tendency to 'fall' over time. The debt ratio and budget deficit tended to rise during recessions — as over the period 1967-1970 — and to fall when income was above trend, as during 1972-1974.

The fall in the debt-income ratio was rapidly reversed by the war. From a low of less than half a percent of GDP in 1975, the debt ratio has taken successive jumps to reach over fifty percent in 1982, and by 1985 was more than 125 percent.

The growth of public debt in Lebanon is explained by the following factors:

- (1) The rise in real government spending relative to the normal level of spending. Each 10 percent increase in government spending raised the debt growth rate by about 6 percentage points. In particular, the high growth rates of debt in 1977 and since 1981 are largely attributable to increased government spending.
- (2) The persistent decline in real income below trend which caused a fall in tax revenues. The evidence is that each 10 percent fall in income relative to trend has raised the debt growth rate by about 5 percentage points. The decline in income has been the single most important factor in accounting for the growth in debt over the war period.
- (3) The evidence shows that the growth rate of debt has increased at the same rate as the increase in expected inflation. Expected inflation rates have increased by about 13 percentage points on the average over the period 1977 to 1985. Hence the inflation factor raised debt growth rates by an average 13 percentage points per year.

In summary, the average growth rate of debt over the war period 1975-1985 is 63 percent per year. Most of the growth is accounted by the real income factor, 37 percent per year, government spending added on average 13 percent per year and the inflation factor contributed another 13 percent per year.

A public debt collapse?

The government has mainly financed its deficits by issuing Treasury Bills which are held by the commercial banking system, and by borrowing from the central bank. In addition, the government has used the provisions of article 115 of the code of Money and Credit.

Article 115 credits the account of the Treasury at the central bank with

Table 4 Government Deficits 1974, 1982-1985 (In LL million)					
(1) Nominal	(2) Real	(3) GDP %	(4) Nominal	(5) Real	(6) GDP %
1974 -51	-51	-0.6	-2.8	-2.8	-0.3
1982 6194	1535	25.5	7086	1756	29.2
1983 6993	1616	27.5	7637	1765	30.0
1984 8487	1667	30.5	9656	1897	34.7
1985 15281	1769	35.9	22769	2636	53.4

Notes: Col (1) is government expenditure minus taxes at current prices
 Col (2) denotes deficit measure in col (1) at constant prices
 Col (3) is ratio of deficit measure in col (1) to GDP
 Col (4) is change in domestic public debt
 Col (5) is col (4) at constant prices
 Col (6) is ratio of deficit measure in col (4) to GDP

Sources: *Bank of Lebanon; Beirut Chamber of Commerce*

the foreign exchange revaluation gains (or losses) on the Bank's holdings of gold and foreign exchange. This means that the Treasury is credited on its account when the Lebanese pound depreciates on the foreign exchange market.

This provision creates a vicious circle: exchange rate depreciation leads to revaluation gains, the Treasury utilises these gains to finance its spending, in turn this leads to an increase in the money supply which adds to the pressure on the Lebanese pound on the foreign exchange market leading to further depreciation and further revaluation gains, and so on.

In April 1986, the central bank introduced new restrictions on commercial banks' credit allocation and asset portfolios. Essentially these imply that a rising proportion of funds will have to be placed in Treasury Bills, and implies that banks will mainly be brokers and financiers of the Treasury.

In the final analysis, there will be

no difference between currency and Treasury Bills except that the latter pay interest, since they are sold at a discount. However, this can only be a transitory phase. As we have seen, interest payments on the public debt currently exceed total government revenue.

This means that public debt would be growing at a geometric rate and on an explosive path. In the absence of a radical fiscal reform involving an immediate and very substantial cut in government spending and accompanied by revenue raising measures, the only policy option open to the government will be to finance its budget deficits through money creation and the inflation tax. Inflation would reduce the real obligations of the government and under existing conditions is the only remaining feasible option.

Dr Nasser Saidi presented his paper "Economic Consequences of the war in Lebanon" at the May 3-6 Paris Conference on Lebanon organised by the Institut Français des Relations Internationales. In the third and last part of the series, Saidi reviews the problem of inflation rate and exchange depreciation in Lebanon between 1974 and 1985.

TELECOMMUNICATIONS LINKS WITH RURAL AREAS ENHANCED

Muscat TIMES OF OMAN in English 3 Jul 86 p 14

[Text]

Improved telecommunications links with the rural areas of Oman will mark the beginning of the first phase of the third five-year plan by the Ministry of Posts, Telegraphs and Telephones.

The present telecommunication services offered by the Ministry would be extended to the Interior as well. The PTT Minister, Ahmed bin Suaidan al Balushi, said that rural communication project, which would be completed by the end of this year, would cover 39 villages along the Batinah coast.

He said: "Completion of this project would make communication easier with the areas around Batinah coast, which is being developed and has seen a growth in population."

The Minister this week signed two agreements with private companies for the construction of telephone exchanges and installation of 350 public telephone booths.

A private company, the Target, will construct seven telephone exchanges at an estimated cost of RO 1,700,000 at Birka, Ibra, Saham, Khaboura, Suwaiq, Rustaq and Qurayat.

The second agreement was with Saud and Suhail Bahwan for installing 350

public telephone booths throughout the Sultanate. At present there are 50 booths installed in Oman, mainly in the Capital Area.

Mr Balushi said: "The new public telephone will be installed at places such as souqs, hospitals, and other more accessible places for the users."

He said that public telephone booths will also be installed along the road to the Southern Region, mainly at petrol filling stations.

The installation of the 350 public telephone booths will cost an estimated RO 195,031, he said.

Mr Balushi said: "We have already installed card system public telephones at the airport but in the near future we will instal more such telephones at hospitals and other public places."

The cards costing RO 5, are easily available, he said, and are used instead of coins.

Mr Balushi said that the exchange of television programmes with other countries has started with the help of Arabsat and soon some of the Arab countries, including Oman, would start broadcasting their local programmes through Arabsat.

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OMAN

BRIEFS

ADEN EMBASSY TO OPEN--Oman and the People's Democratic Republic of Yemen will open embassies in Aden and Muscatt next year, Sayyid Haitham bin Tareq al Said said in an interview on Monday. The Political Affairs Under-Secretary said the Border Demarcation Committee will hold its next meeting in Aden in December. Sayyid Haitham also said Oman would offer all assistance to PDRY to accelerate Aden's economic drive. He said the recent visit to PDRY of Minister of State for Foreign Affairs, Yusuf bin Alawi bin Abdalla, was successful. The Under-Secretary said Oman and Algeria had decided to expand relations following a visit to that country by Mr Abdallah. Sayyid Haitham's interview with the Oman News Agency covered a wide range of other topics of regional importance. [Text] [Muscat TIMES OF OMAN in English 17 Jul 86 p 1] /9317

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COUNTRY FACES WAR RUMORS, ECONOMIC SLUMP

Nicosia MEMO in English 26 Jun 86 pp 8-10

[Article by Christos Anastassiades]

[Text] Tension between Syria and Israel has subsided from its peak in early May, but remains just below the surface as the two states continue to accuse each other of preparing for war. Christos Anastassiades looks at the rumours of war between the two countries as well as Syria's economic problems at home.

Israel's Defence Minister Yitzhak Rabin attributed the origins of the recent tension between Israel and Syria to the latter's poor economic performance. This, Rabin argued, could prompt Damascus to launch an attack against Israel.

In retrospect, though Syria's economic difficulties are very real, Rabin's forecast proved to be wrong as later developments raised fears that Israel, not Syria, might initiate military action.

Some observers speculated that Israel could possibly launch an attack against Syria in May. The reason being that Syria was improving its military might, a development that could invite a pre-emptive strike by Israel intended to damage or even cripple vital military installations.

The pretext for such a raid could be readily available as Syria was being accused of alleged involvement in the attempted bombing of an El Al aeroplane at London's Heathrow airport in April. Given the precedent established by the April 15th raids on Libya, Israel could venture a similar "retaliatory" attack against Syria.

There was also the Chernobyl nuclear disaster which attracted world attention for days, if not for weeks. Israel has established a record of taking drastic steps when world opinion is concentrated away from the Middle East: the 1956 invasion of the Suez almost coincided with the crisis over Hungary; the 1981 annexation of the Golan Heights came only days after the martial law declaration in Poland; the 1982 invasion of Lebanon occurred in the midst of the crisis over the Falkland islands.

In short, the overall regional and international environment was one Israel could well exploit. Apparently, other considerations prevailed (perhaps the Soviet-Syrian friendship treaty) and no attack occurred. However, the tension also focused attention on the two countries' problematic economies which are also possible sources of instability in the region.

Indeed, the Syrian-Israeli war of nerves came at a time when Syria's economy is confronting major difficulties. Not that Israel's economy is in much better shape. But while the Israeli economy recently showed

signs of improvement, Syria's revealed signs of deterioration, especially in the field of foreign exchange availability.

Overspending on defence

Last March, Israel's Defence Minister Yitzhak Rabin said Syria's foreign exchange reserves could barely suffice for 20 days' worth of imports (Syria's foreign exchange reserves are thought to be about \$100 million). The statement accurately pinpointed the major problem confronting the Syrian economy.

What foreign exchange shortages essentially involve is a combination of overspending and inadequate earnings. Predictably, there is an area where Syria is really overspending and that is defence.

For one thing, Syria is an Arab front-line state which could potentially be vulnerable to an Israeli attack. For another, a basic objective of President Assad's administration is the achievement of military parity with the Jewish state, a target that requires massive spending considering Israel's undeniable capabilities in the military field. Syria's defence expenditure reached \$3.3 billion in 1985, accounting for about a third of total budget expenditure.

At a time when defence needs continue to be high and the relevant budget is always hard to trim, Syria faces a drastic squeeze of its earnings. Problems here are multiple. Iran is reportedly terminating aid to Syria while the Arab Gulf has already reduced its annual subsidy to Damascus. Moreover, the overvalued Syrian pound led to a situation where a sizeable portion of foreign exchange remains beyond official control.

Economic relations with Iran

Ever since Syria closed the Iraqi-Syrian pipeline to the Mediterranean in April 1982, Iran became a supplier of cheap oil for Damascus. Iran was said to be providing Syria with about 1 million tonnes of free crude annually while selling another 5 million

tonnes at discount. This was largely meant to reward Syria for its political support for Iran and to compensate for the losses incurred by the Syrian economy as a result of the Iraqi-Syrian pipeline's closure.

According to Iranian officials, total in-kind aid to Syria was in the region of \$280 million annually. This was in addition to various loans extended by Iran to Syria.

However, the Iranian-Syrian honeymoon seems to be ending. Iran's own economy is confronting the double pressure of the oil recession and the Gulf war. As a result, its economic capabilities have become limited. The Iranians are also upset by Syria's inability to repay loans amounting to more than \$1 billion. The Syrian-Jordanian rapprochement only added to Iran's restlessness over the cost of Syrian support.

Not unexpectedly, last March, Iran announced it would terminate shipment of free oil to Syria and said it would only be willing to offer the discount facility, equivalent to about \$2.50 per barrel. Therefore, Syria is essentially deprived of the privileges it was allowed to enjoy so far.

This development could squeeze the Syrian economy even further — unless, of course, Syrian-Iranian friction prompts Gulf states to rush by Syria's side. Already, Jordan is engaged in an attempt to achieve some sort of reconciliation between Syria and Iraq.

Despite the tremendous odds against such a reconciliation, reports note that King Hussein's mediation efforts late last month seem to have produced a positive, albeit tentative, response in Baghdad and Damascus. Some reports even suggest that, following Jordanian mediation, it may not be long before the Syrian-Iraqi pipeline is re-opened. Indeed, by June 1st the Iraqis were said to have already sent a delegation to Damascus for preliminary talks on the future of the pipeline.

Gulf aid reduced

During the 1978 Arab summit in Baghdad, Gulf Arab states pledged

to provide Syria with annual aid worth \$1.8 billion. This was designed to alleviate Damascus' economic burden which was great given its position as an Arab front-line state. Since then, however, things have changed in at least two important ways.

One is that the oil-rich Arab Gulf is confronting the oil recession which has meant, even for the rich states of the region, that money is no longer as abundant as it used to be. Consequently, foreign aid had to be curbed.

Second, the continuing Gulf war and the ensuing threat to the region from Iran ensured that aid to Iraq became more of a priority than aid to Syria. Indeed, Iraq's share has been extraordinarily high. Since the Gulf war started some six years ago, Gulf aid to Iraq is thought to have reached \$25 billion.

To the economic limitations of the Gulf countries one could also add their dissatisfaction with Syria's support of Iran in its conflict with Iraq. Both economic and political considerations therefore resulted in Gulf aid to Syria being reduced to less than \$1 billion annually.

Black market

Another problem confronting Syria stems from its overvalued currency and the resulting flourishing of a black market. Considering that the official nominal value of the Syrian pound is as much as four times higher than its real value, significant quantities of foreign exchange, including remittances from Syrians working abroad, end up in the black market rather than in official financial institutions.

The Syrian pound was recently devalued by 12-18 percent against foreign currencies mainly in an attempt to boost exports. The devaluation was also partly meant to attract more remittances from Syrian expatriate workers, though even after the devaluation, the black market exchange rate remained much more attractive than the official one.

Implications

One evidence of contraction in the Syrian economy is the decline in its trade. The total value of Syrian trade fell from \$6.08 billion in 1983 to \$5.65 billion in 1984. It is likely to drop below the \$5 billion level in 1986. The country's trade deficit in 1985 was estimated at about \$2 billion while its current account deficit ran at around \$1 billion.

Although the standard of living in Syria is known to be tolerable, signs of hard times are already visible. These have so far taken the form of occasional power cuts and shortages of various items including foodstuffs. As it is, the situation has not yet assumed serious proportions but food shortages could potentially have destabilising effects at the political level as well.

A campaign to eliminate waste and increase efficiency, especially in the bureaucracy-burdened public sector is already underway. Reports say the Syrians would like to curb public expenditure by at least 6 percent. Moreover, Damascus' current economic efforts are turning towards combatting inflation, stabilising prices and allowing Arab capital to be invested in Syria.

The government has also been cracking down on the thriving parallel economy. Since April, the Syrians have been clamping down on the lucrative black market conduit through Lebanon and have made several arrests.

At the same time, however, there was a move which some observers see as an attempt to "liberalise" the black market. Thus importers no longer have to identify the source of their foreign currency holdings. This could presumably encourage black marketeers but it could also help the government monitor foreign exchange outflows and imports.

Dilemmas

The crackdown on the black market revealed that the Syrian authorities

do not want it to become too influential. On the other hand, what could effectively eliminate the black market would be an arrangement whereby the pound is allowed to float freely against foreign currencies. Considering that the Syrian currency is presently substantially overvalued, a free floating arrangement would be virtually equivalent to a massive currency devaluation. This could lead to price hikes which is probably part of the reason why the Syrian authorities do not seem to be considering such an option.

Some cautious steps to encourage private initiative, such as the removal of the requirement that importers should identify their sources of foreign exchange, have been taken. On the other hand, the Syrian authorities must be concerned that if the private sector is allowed to become too influential, the security of the regime, which is largely owed to the highly centralised political structure, may be jeopardised.

Internal security is of paramount importance to the Assad regime which was shaken on April 16th by a series of explosions and bombings throughout Syria which killed more than 100 people. The Syrians first blamed Israeli agents and their Lebanese proxies for the incidents then attributed them to Saddam Hussein. In 1982, a Muslim fundamentalist uprising in the city of Hama was ruthlessly suppressed by the Syrian army with the number of casualties reportedly reaching several thousand.

As a country which both imports and exports oil, Syria could be only indirectly affected by an improvement in the oil market. Assuming that oil prices rise, the Arab Gulf may be in better position to increase aid to Syria. Moreover Syria's own oil production should be increasing thanks to several recent oil discoveries. The Thayyem oil field near Deir el-Zor (some 200 miles east of Damascus) is expected to reach full production levels (about 50,000 b/d) before the end of the year. Some observers believe that once such production levels are achieved, Syria could come close to oil self-sufficiency.

But as mentioned earlier, Gulf aid was reduced not only for economic but also for political reasons. To that extent, if Damascus looks forward to more aid from Arab states, it would have to reconsider its overall attitudes towards Iran. This may not be entirely easy as it could damage Syria's influence over Shiite militias in Lebanon. Damascus would not welcome such a development especially at a time when Lebanon's Christian community is more suspicious than ever of Syria's intentions.

In other words, Syria is faced with a tough dilemma: economic considerations may call for some change in policies pursued so far, both at the domestic and the regional level. But political considerations indicate that the needed change may not be possible without compromising the regime's security concerns.

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POLITICAL ALLIANCE WITH IRAN IN TROUBLE

Nicosia MEMO in English 26 Jun 86 pp 12-13

[Article by Randa Takieddine]

[Text] The Syrian political alliance with Iran is in trouble. The Islamic regime of Ayatollah Ruhollah Khomeini is giving President Hafez al-Assad of Syria a hard time in Lebanon and on the international scene. Randa Takieddine has more on the apparent deterioration in Syrian-Iranian relations.]

[Text]

In Lebanon, the pro-Iranian Shiite group Hizballah has been in open conflict with Syria for a few months. First, the Syrian-sponsored Lebanese tripartite agreement that was rejected by Lebanese president Amin Gemayel was also condemned and rejected by Hizballah which controls a large section of West Beirut. Second, Hizballah is opposed to Nabih Berri, the leader of Amal, the other important Shiite group in Lebanon.

Hizballah policies have often hindered the implementation of Syria's policy options in Lebanon, undertaken by its main Lebanese ally Nabih Berri. The deterioration of relations between Syria and Hizballah resulted in an armed conflict in the Bekaa between the Syrian army and partisans of Hizballah earlier this year. The clashes were rapidly stopped but an important official of the Iranian secret service was killed in the process.

The crisis between Syria and the pro-Iranian Lebanese group is reflected on the ground by a new military alliance between Hizballah and

the Palestinians who are currently fighting Amal in the Palestinian camps in Beirut.

Syrian sources in Paris told ME-MO that, on top of everything, the Syrian president has been upset with Iran over the issue of French and US hostages in Lebanon. During his visit to Damascus in late April, the Iranian Minister of Foreign Affairs Ali Akbar Velayati had promised that his country would press Hizballah to release the French and US hostages and turn them over to the Syrian regime. President Assad had promised France's Francois Mitterand that he would obtain their release. The agreement was reached in Damascus between Syrian Vice-President Abdel Halim Khaddam, Iran's Velayati and members of Hizballah, but it was never implemented.

The Syrian analysis of this, says our Syrian source, is that the Iranian Islamic clergy does not always support commitments made by Iran's political envoys when they are not members of the clergy. Moreover, Ayatollah Khomeini is reported to

have said to his Foreign Affairs minister on his return from Damascus: "I shall not obstruct the desire of the Islamic groups in Lebanon to prepare for an Islamic republic in Lebanon and I shall not pressure them to release people whose governments obstruct our principles for an Islamic republic." After these comments by Ayatollah Khomeini, Hizballah decided not to surrender the French hostages to Syria.

In fact, the Iranians themselves would like to be able to use the hostage issue as a bargaining chip with the West. France's debt to Iran is \$1 billion and Iran wants it to be settled. Moreover, Iran wants France to reduce its support to Iraq. The French hostages issue can be used to blackmail France. Furthermore, Iran would also like to maintain some control over the US hostages issue in case it comes in handy for its long term relations with the United States.

Since then, relations between Syria and Iran have cooled off. Syria sent its Foreign minister, Farouq al-Sharaa, to Tehran in mid-May to explain to the Iranian regime the disadvantages of remaining isolated from the rest of the world.

Al-Sharaa, pressing for the hostage issue to be resolved, is said to have emphasised the fact that Syria's alliance with Iran was not always convenient for the Syrian regime. The Syrian Foreign minister noted that the alliance was isolating Damascus from the rest of the Arab world and was costing it a lot of money.

Syria, al-Sharaa told the Iranians, had economic problems and was in dire need of foreign currency and the price of its political alliance with Iran was isolation from the rich Arab Gulf countries. These comments by al-Sharaa were hints aimed at pressing the Iranians to surrender the hostages.

Furthermore, the Syrian president's meeting with King Hussein of Jordan in Damascus in December 1985 and again in Amman on May 5th of this year was aimed at paving the way for an improvement in relations between Iraq and Syria. The first step in such a reconciliation process might be in the economic field and might include re-opening of the Iraqi-Syrian pipeline.

Syria would benefit from the re-opening of the pipeline in two ways. First, Iraqi transit royalties would provide Syria with needed foreign currency. Second, the pipeline would provide Syria with crude oil that Iran has been slow in supplying because of a Syrian debt to Iran. It is also believed that Syria might be ready to resume transit between both countries.

All this would take place, says our Syrian source, as a first step, under the guise of a pure economic reconciliation because Iraq and Syria are nowhere near a political rapprochement. Syria remains interested in maintaining its alliance with Iran, although Tehran has not always proved to be reliable.

The economic rapprochement between Iraq and Syria cannot be undertaken, another source told MEMO, unless an Arab summit is convened to discuss all these issues. However, our Syrian source disagreed and did not exclude the potential of an economic rapprochement between Iraq and Syria before the convening of an Arab summit.

Finally, according to the same Syrian source, Syrian Vice-President Abdel Halim Khaddam was told during his May 27th visit to Moscow that the Soviets would like to see a reconciliation between Syrian President Assad and PLO Chairman Yasser Arafat. The final communique issued after the conclusion of the visit in-

cluded a Syrian recognition of the need to have a reunified PLO. According to our Syrian source, Algeria's President Chadli Benjedid will undertake to convene a PLO general conference to bring pro-Syrian PLO members and Arafat together.

If such a reconciliation materialises, it would of course lessen Syria's numerous problems in Lebanon, including the strengthening of the Palestinians, the Hizballah-PLO alliance in Beirut and the new Palestinian-Gemayel rapprochement.

The latter rapprochement occurred following Lebanese President Amin Gemayel's April meeting in Tunis with the PLO's Salah Khalaf. In January, the Lebanese president had rejected the Syrian-sponsored Lebanese tripartite agreement.

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COLUMN EXAMINES ECONOMIC PROBLEMS

Poor Distribution of Goods

Damascus AL-BA'TH in Arabic 1 Jun 86 p 4

[Text] The Retain Trade Corporation supplies the domestic market with adequate quantities of all goods in which it deals and fails to see any justification whatever for the crowds regularly congested around its sales centers.

We believe Corporation management and do not reject its argument but still feel that its response is not convincing enough to explain the crowds--sometimes leading to fist fights when desperately needed items are being distributed.

When sufficient consumer supplies become available and certain people queue up for sometimes more than one turn, while the ordinary consumer waits and gets nothing, there is only one thing to be concluded, namely that the problem is one of faulty distribution not insufficient supplies.

A consumer, getting up at the crack of dawn in order to acquire a leg of lamb, knows nothing of the tremendous efforts exerted by the corporations concerned with ensuring meat daily for the consumers. All he knows is that he has to wait long hours for what he needs and that the butcher charges him twice as much for the privilege of not queueing up and waiting.

There is a gap that the authorities responsible for supplies have not been able to close; a gap through which the supplies made available slip at some point, either before or during distribution, while the consumer painfully and questionably looks on unable to do anything about it.

Perhaps there is some truth in reports that butchers, grocers and vendors of butter (ghee) and paper tissues send their women folk and children out into the queues to collect as much as they can of the supplies being distributed. That kind of infiltration is not difficult to detect but still does nothing to explain faulty distribution despite the adequacy of supplies.

Some of the solutions being suggested now include opening up additional sales outlets in corporations, companies and factories so that the staff and workers can obtain their share in their work places. Yet not even such

a reasonable step seems to be able to prevent poor distribution and the appearance of gaps here and there. Weakness is abundant and commitment is scarce. So long as supplies prepared for distribution find their way into the black market, and are sold on the sidewalks for exorbitant prices, then we are entitled to assume that there are gaps that so far have not been discovered by nor been subject to any control or accountability.

Hence, it is not enough merely to provide the supplies at corporation sales outlets. Something has to be done to find out how they are distributed, to whom they go, into whose hands they fall and where the gaps are through which they slip into the hands of those who are just waiting to take advantage of the public sector's channels that have not yet seen reform. This is not only a responsibility but a major necessity. There has to be strict commitment to the citizens who have so much difficulty getting their needs, and to the decision making authorities who have incurred so much foreign exchange expenditure to secure supplies in adequate quantities for all. Meanwhile, the crisis continues.

High Grain Prices

Damascus AL-BA'TH in Arabic 10 Jun 86 p 4

[Text] There's never been anything like it! Wheat, like everything else that is precious to us, is always expensive. But this year there is a difference and we seem to be doing something right.

Some of us will recall that the 1984 wheat season crop forced us to import about \$300 million worth of wheat. This year the crop is good and if estimates by experts are sound we may not need to import much of 's staple. In other words we will be able to save that \$300 million . a time when we need to import pharmaceuticals, machinery, equipment, etc.

This season, these estimates and expectations are only a beautiful dream that can only be transformed into reality by persistent action which is now beginning to show results. Anyone following the news must surely realize how expensive every grain of wheat has become under present conditions.

The party and government committee which made its way to al-Raqqah, Dayr al-Zawr, Al-Hasakah and Qamishli had part of its work in al-Raqqah monitored by our press, especially in Bir Hashim, where 10,000 hectares of land was recently reclaimed. The Committee decided to award Bir Hashim plantation wheat harvesters a bonus of 400 Syrian pounds in consideration for their continuing to harvest the crop through the Id al-Fitr period.

The size of farm land plant acreage under corn in that area is 5,722 hectares. Such action as well as other steps taken such as assigning 10 al-Raqqah governorate cars to the plantation, operating the grain silos 24 hours a day and the harvesters in three shifts will save the crop. Without such measures at least half of the crop would perish. On the subject of Bir Hashim and the figures involved, we find that man is the all powerful producer. At official prices the wheat is valued at 120 million Syrian pounds. Since

we would gain half that volume through incentives, it can be said that the 400 Syrian pounds to a group of workers means 60 million Syrian pounds and about 86,000 tons of wheat.

Is there not an important lesson somewhere? Obviously the farmers would have continued working without the bonus since they could hardly be expected to bear the sight of wheat perishing. The token bonus is, however, a sign of respect for a very valuable effort.

In life there are many expensive things some of them, perhaps, cost even more than wheat. Anyone making such a lesson a general rule cannot lose. The harvesters' reward could very well be our means of rewarding all producers!

Insufficient Salaries

Damascus AL-BA'TH in Arabic 11 Jun 84 p 4

[Text] The question that must have come to the minds of thousands of low income earners on the occasion of Id Al-Fitr [small Bairam] holiday was: How can we reconcile our income with the needs of the feast, the holidays and the children? No doubt many of them spent the holiday at home, either because of congestion and lack of an appropriate place to travel to or because of prices. During the holiday daily habits change, necessities increase and everything slips out of control and any kind of regulation. It is almost as though the holiday were an opportunity to violate or reject legislation: private sector travel fares, prices of supplies and clothing, even the prices of barbers, whose guild issues a new price list on the occasion of every holiday doubling prices which are not fixed in the first place anyway. We do not know whether each guild is entitled to take such a decision favoring its members and exploiting the people. Even downtown taxi drivers demand their holiday tip. Thus instead of the Bairam holiday being an opportunity for relaxation and a happy vacation after which a person can return to work feeling invigorated and able to produce and work, it becomes an exhausting nightmare requiring a vacation to recover from the vacation.

In addition to the congestion, and the race to go shopping for supplies, what happens during the holiday is an increase in traffic accidents on intergovernorate highways, resulting in dozens of victims and casualties in addition to the material losses incurred despite all that the traffic department has done to reduce them.

As we have said the Bairam holiday should be an opportunity for rest and relaxation, not a nightmare and a burden for the individual. Life should go on as normal. This requires that we as citizens observe all laws, traffic codes as well as keep prices under control. There is no need to rush as though life were coming to a standstill during the vacation. Whatever the authorities do to provide us with all our needs during the holiday and at other times, they will never manage to prevent the rush, the congestion and fights, price speculation and fraud unless we cooperate with them to put an end to the negative aspects of our every day life.

Inefficient Planning

Damascus AL-BA'TH in Arabic 13 Jun 86 p 4

[Text] Several of our agricultural regions have managed to achieve a surplus of agricultural produce such as potatoes, onions and tomatoes. It is a pity that substantial quantities of such produce are wasted because of a lack of food processing facilities or export capacities in those production regions. If anything this indicates a lack of comprehensive and integrated planning for our agricultural production consistent with market requirements on the one hand and food industries on the other. At the same time it confirms the need to locate our food processing companies geographically to suit agricultural production in the various regions.

It is hoped that the Vegetable and Fruit Company will be able to handle this season's tomato and onion surplus in a way that will not be harmful to either producers or consumers, and that the canning companies will manage to take up the surplus and find appropriate markets at home and abroad.

We raise the same old question: where is the planning? Why is there an imbalance in the agricultural plan? Why are our industrial projects so late in meeting the needs of our agricultural production? This being at a time when it is an all too well known fact that surplus produce can create severe complications for both producers and consumers. Too much supply on the market results in lower prices which would result in harm and maybe big losses for the producers.

At the same time this could happen at the expense of other products for which there is a market need, resulting in increased demand and high prices as well as supply crises and hence, imports and futile expenditure of foreign exchange.

That is why we urge that attention be paid to the agricultural plan which should be coordinated with industrial plan. The adherence to this plan by agricultural cooperatives must be monitored. At the same time canning industries should be established in areas of agricultural production to ensure market stability and to protect farmers and consumers alike.

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NEWSPAPER TRACES ECONOMIC DEVELOPMENT, RECONSTRUCTION

Ta'izz AL-JUMHURIYAH 13, 17, 20 & 21 Jun 86

[Article: "One Year Growth of Services Development Process"]

[13 Jun 86 p 5, Part 2]

[Text] This decision was the sincerest expression of our political leadership's interest in the issue of eliminating illiteracy and a live embodiment of our people's will to eliminate illiteracy through a scientific method that goes beyond traditional formats in this domain and one of the techniques used in rendering the basic training and skills campaign a success. Training centers sprung up in several areas of the country with a view to employing the illiterate's inclination toward any of the primary skills in plumbing, lathing, carpentry, electricity, etc. which these centers are offering in an attempt to eliminate illiteracy while helping them to acquire vocational skills and, with regard to females, female-oriented skills such as embroidery, weaving and others.

Enrollment of illiterates at these centers has reached 20,110 trainees in addition to close to 140,000 enrollees in classes for combatting illiteracy in the national and organized sectors. The national sector recorded a higher rate of enrollment from both sexes than the organized one where armed forces and security personnel constitute 90 percent of the regular students.

In this connection, a number of units for combatting illiteracy have been completed in some target areas. These units bear witness to Ministry of Education accomplishments in one year and are living proof that the education path has become the best way for building a new life and guaranteeing a bright future.

Moreover, they represent conclusive evidence of the active interaction between the people and the leadership in one of the most important and most serious fields of construction and development, namely the building of generations armed with knowledge and education that will enable them to take confident steps forward on the road to prosperity in our productive land to bring back its civilizational past so that it may proudly join the contemporary civilizational process and firmly take its proper position and natural place among the nations of the earth at the turn of the 21st century.

Higher Education

Sanaa University is the highest rostrum for education in our country. It also represents a most prominent feature of civilization in revolutionary republican Yemen as one of the greatest gains achieved under the patronage of the glorious September Revolution.

Sanaa University has witnessed great progress and has taken important qualitative leaps, thanks to government efforts and unending backing and attention it receives from the secretary general of the General Popular Conference, thus allowing it, its young age notwithstanding, to take its proper place among universities in other countries, for it has taken forward steps in size and standards.

The university has grown from three interrelated colleges and a very small enrollment, upon its establishment in the seventies, to various specialized departments in the theoretic and practical fields.

Enrollment rose from tens of hundreds of students at the beginning of its life to well over 10,000 students in the 1984-85 school year.

During the last 3 years, Sanaa University has witnessed the birth of three new important colleges: the College of Medicine, the College of Engineering and the College of Agriculture. It has also begun to realize its ambition of turning out more sophisticated scientific cadres in various specializations. It has opened new departments for advanced studies which began their educational activities during the 1983-1984 school year up to the MA degree level.

Sanaa University now has the equipment, laboratories and educational aids that help students in their theoretic and practical studies.

The university has also been equipped with a workshop for maintaining these capabilities as well as with other facilities such as branch libraries, in addition to the central one. It is in the process of building a library complex on campus with a view to affording all kinds of facilities for research and scientific studies. Efforts to develop Sanaa University are still under way and there are ongoing endeavors to achieve further steps aimed at achieving higher standards. Sanaa University last year witnessed numerous steps on this road, the most important of which was the opening of a College of Education campus in Ta'izz Governorate as a nucleus for other campuses throughout the country due to the great pressure placed on existing universities.

Last September, the secretary general of the General Popular Conference opened two large lecture halls at the university. Each of these halls can seat 500 students and is equipped with the most modern audio-visual aids, in addition to other facilities. The total construction amounted to 18 million ryals. Furthermore, the laying of the cornerstone of the College of Agriculture teaching farm was one of the outstanding steps achieved last year.

In April 1985, the prime minister laid the cornerstone of the farm which will be used for scientific courses and for the introduction of modern technology as compared to methods prevalent in Yemeni agriculture, in addition to applied agricultural research for the college teaching staff for the purpose of scientific research, teaching and the organization of field training programs at the farm under expert supervision.

The 26 hectare farm includes 13 reception buildings with a botanical annex, warehouses, a workshop, a fodder mill, corrals, chicken coops and a training center for animal production, in addition to groves, grazing ground and woods.

In recent months, Sanaa University has witnessed a number of educational and cultural activities devoted to educational and learning endeavors, including a training course for non-education college graduates held last March at the university to prepare trainees for the teaching profession upon graduation. This is in response to a cabinet decision requiring all college graduates to teach for one year, in addition to special seminars and cultural affairs held at the university.

In April 1986, Sanaa University sponsored a seminar for archeology departments at various Arab universities in which a large number of professors and specialists from fraternal Arab countries participated. The 5-day seminar included historical and archeological studies and lectures and debates on issues related to archeology, the role Arab archeology and research departments play in raising agricultural awareness as a way to preserve historical sites and the responsibility of Arab archeology professors to bring out the role of our Arab and Islamic nation in the civilizational process.

In addition to Sanaa University's role in higher education, the Ministry of Education sends a large number of our high school graduates to universities in various fraternal and friendly countries to specialize in various fields, including medicine, engineering, agricultural and other studies in order to join Sanaa University graduates in the building and development process.

Our political leadership under the secretary general of the General Popular Conference has given special attention to public health, focusing on the growth and development of the activities of the health sector as an effective weapon for wiping out the horrible triad, poverty, ignorance and disease, and on the premise that developmental building functions requires healthy builders equal to the task.

Through conscious realization of the health development role in the overall development process, owing to the great importance of this aspect which can have a direct negative or positive influence on development as a whole, the government has maintained its constant support for the Ministry of Health and its various institutions, thus achieving tangible progress in health and medical services that have amazed many an analyst and researcher of social development.

Health institutions have grown in number, services and diverse preventive and therapeutic capabilities that run the gamut from modernization to state-of-

the-art medical tools, equipment and technology that help raise the academic standards of all those who work in this field.

During the current year, open-heart surgery was performed in the country for the first time with a level of success equal to that achieved by countries that are ahead of us by decades.

[Major] surgical operations numbering 51 have been performed with a 97 percent success rate, in addition to close to 60,000 surgical operations of various kinds at government hospitals around the country.

Moreover, 100,000 patients have been hospitalized and over 3.25 million citizens have visited out-patient clinics. Radiation departments at government hospitals performed 350,000 x-rays during last year and laboratories recorded tangible growth that enable them to raise their performance rate qualitatively and quantitatively: last year, 1.2 million samples were tested for various diseases, including cancer malignancies. This is in addition to important services provided by central laboratories in various fields, the most salient of which is the testing of canned food, baby food products and other products to determine their chemical composition, thus preventing many side effects such products can cause, especially in children.

In this regard the government, as represented by the Ministry of Health, has sponsored primary health care services that are basically concentrated in rural areas which comprise 90 percent of the country's total population.

On this premise, the state has devoted its greatest attention to maternity and child care. Besides maternity and child care centers throughout the country, a massive immunization plan, put in effect since 1977, this year has prepared for a huge national immunization campaign to vaccinate children under 5 against the six childhood diseases: TB, measles, polio, diphtheria, whooping cough and tetanus. All these diseases require booster shots on a regular basis so that we may catch up with today's world, of which we are an integral part and to achieve the well-known international slogan, health for everyone by the year 2000. Last year, the number of children vaccinated against childhood diseases was 430,661, a 2.5 percent increase over the first year of the plan for PTT and polio, 198 percent for measles and 50 percent for TB. These figures represent a giant step in view of the fact that the immunization plan, as a primary health care project, is one of the most important national projects.

[17 Jun 86 p 5, Part 4]

[Text] Investment projects for 1985 amounted to 87 million riyals, and the organization has purchased land for building offices and bus terminals along its various lines throughout the country. It has also built spare parts depots for buses used on its inland and long lines and a self-contained gas station to service its fleet. As a result of these developments and improved services, the organization transported a total of 658,000 passengers in 1985, and competent departments are in the process of studying the possibility of instituting transportation services in large cities, Sanaa particularly.

Moreover, studies are underway related to land freight services and the organization has opened a self-contained office for other tourist services. This is in addition to the existing tourist transportation system using new luxury buses that have been added recently to its tourist fleet. The General Land Transportation Organization this year will begin transporting Yemeni pilgrims to the holy lands in accordance with an agreement concluded with the Saudi government.

3. Air Transportation

Just as land transportation has enjoyed government attention as one of the most important means of eliminating internal isolation due to its active role in the building and development process, air transportation has enjoyed equal attention as a principal means for eliminating external isolation and facilitating contact with the outside world due to its direct and active relationship with the freight and passenger transportation process to and from the country.

This attention has been clearly manifested in recent years in the size of appropriations earmarked in the second 5-year plan for subsidizing the General Civil Aviation and Meteorological Agency [GCAMA] and the Yemeni Airlines Company fleet. These appropriations amount to 710 million ryals. The above agency and airline company have realized great operational strides, particularly in the expansion and development of major airports in Sanaa, Ta'izz and al-Hudaydah or the building of secondary ones in other cities, as well as the expansion of the Yemeni Airlines network and development of its air fleet.

With regard to airport construction and development, the GCAMA undertook the following projects in 1984 and 1985:

1. The expansion of the Sanaa International Airport building and the construction of a parking lot at a total cost of 9.125 million ryals.
2. Construction of a new VIP lounge as part of the overall boom the country is experiencing and the new international status it has attained. The total cost of work completed in the last 2 years amounted to 3.117 ryals.
3. The maintenance of Sanaa International Airport during the past 2 years at a cost of 1.406 million ryals. As for the Ta'izz airport project, the following parts were completed last year:
 - Construction of airport parking lot at a cost of 623,647 ryals for 1985.
 - Equipment and machinery for arrival and departure lounges at a total cost of 181,208 ryals for 1985.

With regard to the development of al-Hudaydah airport, the total cost of work done in 1984 and 1985, including the airport building and project supervision plus four housing units for technical advisors, amounted to 31,034,965 ryals. Add to that the inland airports development project aimed at improving inland airports and related installations. Work is under way to complete the four

inland airports in al-Hawf, Harib, al-Buqa' and al-Bayda'. The cost of work done in 1984 and 1985 was about 4,676,190 riyals. In the meteorological and aviation development field and state-of-the-art equipment necessary to handle the growing air traffic at Sanaa International Airport in particular, the meteorological administration has achieved self-reliance in managing this important facility, dispensing with all foreign expertise that help to run it, thanks to the great attention paid to the training of technical personnel in the country and abroad to prepare them for this task which used to be handled by foreign technicians. Yemeni personnel in the field of meteorology and civil aviation make up 90 percent of the various skills. The National Civil Aviation and Meteorological Institute plays a key role in training and educating Yemeni personnel.

The Yemeni Airlines Company in the last few years has succeeded in expanding its lines network, thus growing from a regional to a successful and competitive airline company in international air transportation by spreading its wings to Europe and South Asia and flying all the way to London, Amsterdam, Frankfort, Paris, Karachi and Bombay.

On 12 November 1985, an air route was opened between Sanaa and Amman and the company has innaugurated its new weekly flights to Istanbul and Moscow, whereby the first flight on the new route linking Sanaa to each of Istanbul and Moscow took off on 12 April 1986.

These two routes constitute a new accomplishment to be added to the company's 25 other routes, thus bringing the total to 27 routes. The Yemeni Airlines network now extends from London to Bombay and from Addis Ababa to Moscow.

The innauguration of the Yemeni Airlines new routes was in response to the secretary general's guidelines on the need to link our country with the outside world to the largest extent possible.

Furthermore, Yemeni Airlines is aspiring to raise the standards of its services and to expand its network to South Asia, Europe and North America. This is in addition to our country's participation in numerous Arab and international conferences on aviation. Our country participated in the 19th session of the Arab Air Transport Federation and brother Muhammad Ahmad al-Haymi, board chairman of the Yemen Airlines, has been elected president of the federation. Moreover, it has been decided to hold the next session in Sanaa in March next year.

The Yemeni Airlines Company has an ongoing training program for its pilots, engineers and technicians in various fields of aviation.

Sea Transportation

The government has given its attention to the sea transportation sector and has built maritime gates to meet all development and growth requirements. The second 5-year plan focused on the need to organize and expand the ports and improve the services they offer.

In recent years, a number of ports have been built or expanded to keep up with the growth our country is experiencing in all fields.

With regard to al-Hudaydah Port, which is the main one in our country, in 1977 it had only 3 docks which were no more than 7.5 meters deep. However, in the last 10 years new docks have been constructed--docks numbers 4,5 and 6--to help the port keep up with the growth in trade activity and to receive various freight ships.

Moreover, a fully-equipped port has been constructed in al-Makha' and another one, al-Kuthayb Port, in al-Hudaydah.

In addition, the General Ports Organization succeeded last year in completing a number of projects, including:

1. Renovation of the container area at al-Hudaydah Port at a total cost of 1,594,450 riyals.
2. Completion of al-Kuthayb Port at a total cost of 1.1 million riyals.
3. Development of al-Hudaydah Port by enlarging the container area by 100,000 km [as given] at a cost of 2.29 million riyals, and the construction of a parking lot at the port as well as a fuel station for organization cars.
5. [Number sequence as given] Equipping al-Makha' Port with three 20 to 25 ton capacity movable cranes at a cost of 4 million riyals. This is in addition to the construction of an escort launch, costing 4 million riyals.

Al-Makha' Port is witnessing brisk commercial traffic. The port receives 65,000 tons of goods monthly.

Last year, as well, on the occasion of the 23rd anniversary of the revolution, a storage area was inaugurated at al-Hudaydah Port at a total cost of 1.476 million riyals. Moreover, the cornerstone of the container and storage area at al-Hudaydah Port was laid. This project will cost about 1.595 million riyals, and a container area has been innaugurated at a total cost of 2.191 million riyals.

In 1986, another dock, dock 7, will be built at al-Hudaydah Port to accomodate 300 meter-long container ships. It will be equipped with a container crane and other lifting tools. The project includes widening and deepening the 20 km navigational canal to accomodate 2 ships simultaneously. This huge project is expected to cost over 200 million riyals. Work is scheduled to start by the middle of this year.

Electric Power and Water Sector

Electric power plays a major role in the building and growth movement, in addition to being a critical necessity in people's lives and a means for improving their standard of living. Therefore, the government has turned its attention to the electric power sector as an important tool for turning the wheel of economic and social development. This attention has had positive

effects, for in the last few years this sector has achieved high growth rates and most of the country's cities and villages have been supplied with electricity. Suffice it to say that in 1985 electric power reached 413 megawatts as compared to 15 megawatts in 1975, in addition to the power citizens supplied on their own with government subsidies throughout the countryside.

[20 Jun 86 p 5, Part 6]

[Text] On 3 December 1985 the second stage of the fresh water project for each of Sha'ban, Kawkaban, Hababah and Thalla was inaugurated. This stage included the laying of a main pipe network in the four cities and surrounding areas, including pump stations and sub-reservoirs. The first stage was inaugurated by the secretary general at the end of April 1985 and included the pump station, the main reservoir and 4 artesian wells. This 10 million riyal project covers the fresh water needs of 25,000 inhabitants in the four cities and neighboring villages, and was carried out by the General Administration for Rural Water Projects of the Ministry of Public Works.

On 12 December 1985 a 7 million riyal water project was inaugurated at al-Janad, Ta'ziyyah District, Ta'izz Governorate, to provide for the fresh water needs of 20,000 citizens.

On the 10th of the same month, a 2.3 million riyal water project in al-Hakamah, Rida District, was inaugurated. It included four parts and was carried out by the Rural Water Projects Administration of the Ministry of Public Works to meet the fresh water needs of 5,000 citizens.

On 2 May 1985, three 2.2 million riyal drinking water projects were inaugurated in Waday Talbin, Mahall Qahazah and Wasil Khulan. These were financed by the state and private citizens in participation with the American Aid for International Development [AID].

On 17 November 1985, a 2 million riyal water project was inaugurated at Jablah and was carried out by the Southern Heights Water Project. This project meets the fresh water needs of 5,000 of the city's inhabitants. Also, the 2.1 million riyal al-Akhtur water project at Dar al-Jabal and al-Islam, Ibb District, was inaugurated and carried out by the Southern Heights Project. This project serves 5,000 inhabitants of these areas. Another 1 million riyal water project in 'Amid, al-Masbaghah and al-Azab was innaugurated as well.

On 25 November 1985, a 2.5 million riyal water project was inaugurated at the city of al-Nadirah. It meets the fresh water needs of 5 villages in addition to the city.

Moreover, a 1.5 million riyal water project was inaugurated in Hiddah Ghulays, al-Siddah District, to provide for the needs of surrounding villages with 4,000 inhabitants.

On 29 December 1985, a 1.7 million riyal water project was inaugurated in al-Darab, Samarah region, Yarim District, and was carried out by the Southern Heights project of the Ministry of Agriculture. This project supplies fresh water for 5,000 inhabitants in 10 area villages.

On 31 November 1985, the second stage of the 1 million riyal water project in al-'Aza'iz, al-Jijriyah District, Ta'izz Governorate, was inaugurated by the Southern Heights Project for Rural Development. It supplies fresh water to over 4,000 inhabitants in 21 area villages.

On 9 November 1985, in Ta'izz Governorate, a 1.3 million riyal water project was inaugurated in al-Sharman area, Mawiyah District, by the Southern Heights Project for Rural Development. This project supplies fresh water to five subdistricts. The Southern Heights Project also completed a 1.2 million riyal water project in the 'Amaqah Shufan area to supply fresh water to 7 villages.

On 27 November 1985, a 1.2 million riyal water project was inaugurated in al-Hizah area to supply fresh water to 13 villages in the area. part of the cost was defrayed by area inhabitants.

On 22 April 1986, a 1 million riyal water project was inaugurated in the villages of Kananah and al-Qasirah, al-Mansurah District, al-Hudaydah Governorate, and another 1 million riyal one in the villages of al-Hijah, al-Kadaf and al-Hadashiyah. these two projects are being financed by al-Mansurah District local council, private citizens and the Rural Water Project.

On 19 November 1985, a 700,000 riyal water project, financed by the agricultural cooperative, was inaugurated in Ayn al-'Aqiq, al-Makhadir District, Ibb Governorate, and another 800,000 riyal one, financed by the local council for cooperative development and private citizens, was inaugurated in Suq al-Thaluth-Bayt al-Ruba'i.

On 30 December 1985, a 2.3 million riyal water project was inaugurated in Bani 'Awad, Ba'dah District, Ibb Governorate, as part of the Southern Heights Project to supply fresh water to 5,000 inhabitants.

On 18 May 1985, a state-financed water project was inaugurated in al-Dakhlah, Aryan District, Ibb Governorate, to serve 23,000 inhabitants, and another 1.4 million riyal one was inaugurated in Mawir Zur'in to serve 2,400 inhabitants.

Moreover, the cornerstone has been laid on a number of vital projects to meet fresh water needs throughout the country. On 2 May 1985, the cornerstone was laid to start construction on 56 government fresh water projects in a number of areas in Dhamar Governorate that were damaged by the earthquake at a cost of 28 million riyals, to be shared by the Federal Republic of Germany and AID, and under the supervision of the General Administration for Rural Water Projects of the Ministry of Public Works. These projects will serve about 98 villages in the districts of al-Hada', Jahran, 'Anas, Jabal al-Sharq and Maghrib 'Anas.

On 19 November 1985, the cornerstone was laid for 6 million riyal water projects in 'Izlat al-Diq and Jabal 'Aqd, al-Makhadir District, Ibb

Governorate, to be carried out by the Rural Water Projects Administration of the Ministry of Public Works in cooperation with the local council and private citizens.

Furthermore, on 2 November 1985, the cornerstone was laid for the 750,000 riyal project in al-'Arqub subdistrict, al-Mahwit Governorate, which is being carried out by the integrated rural development project and the local council.

In al-Bayda' District, the cornerstone has been laid for two 700,000 riyal water projects in Ghamis and Dar al-Hamrani to be carried out by the Ministry of Agriculture and Fish Wealth and Rural Development Projects. These two projects meet the needs of 6,000 inhabitants in the area.

On 9 May 1985, the cornerstone was laid for the integrated water project in Rida' which will be financed by the area's cooperative and inhabitants in cooperation with the Rural Development Project at a cost of 450,000 riyals.

These projects that are under way or are about to be started are a new addition to several other projects that have been completed in various cities, districts and villages throughout the country. Each year brings more accomplishments, not only in the water and electric power fields, but also in the fields of services and development, as a practical translation of the government's concern and awareness, under the leadership of Colonel 'Ali 'Abdallah Salih, President of the Republic and Secretary General of the General Popular Conference, to provide various services to all citizens, both in urban and rural areas.

5. Rebuilding of Areas Damaged by the Earthquake

On 29 March 1985, Dhamar Governorate, along with all the other governorates of the country, experienced a very happy and joyous occasion that day. The governorate celebrated the completion of the first set of new houses for the people who lost their homes in the December 1982 earthquake that hit Dhamar the hardest.

This set of 1,500 housing units is only the first part of the reconstruction project which is in full swing. Moreover, these units, that can accommodate over 1,500 displaced families, herald the completion of the next stage of the reconstruction project which will provide housing to every family that lost its home in the earthquake in model villages equipped with all sorts of facilities.

Inasmuch as the completion of this set of new housing provides proof that, through the construction process, we have actually begun to overcome the disaster's effects and manifestations in the stricken areas to help afflicted cities and villages return to normal life, it also embodies the leader's eagerness to honor the pledge he made to the people right after the disaster:

"We bear an enormous responsibility for rebuilding the stricken areas. Reconstruction of these areas is the responsibility of the people and we must meet this responsibility despite our limited resources and capabilities."

This is what the leader told the people during his inspection tour of the stricken areas right after the disaster, thus losing no time in assuming this weighty responsibility, notwithstanding his other responsibilities of taking immediate action and devoting substantial efforts and capabilities required for rescue operations.

The words of President and Secretary General 'Ali 'Abdallah Salih marked the beginning of the reconstruction process which he is sponsoring and to which he is devoting great attention, efforts and capabilities with a view to completing the reconstruction project as soon as possible.

For at a time when our people here and abroad and our national leadership, in cooperation with fraternal and friendly countries and philanthropic agencies and organizations, have succeeded in their efforts to contain the disaster through rescue operations and limit losses and damage caused by this horrible incident, the leadership began directing its efforts toward rebuilding the destruction caused by the earthquake in response to the leader's pledge to reconstruct the damaged areas and replace lost homes and services in the stricken areas.

The massive destruction wreaked by the earthquake requires great and arduous efforts in view of our country's modest material capabilities. Material losses have been estimated at \$2 billion. The number of damaged houses in Dhamar Governorate alone was 42,314, 11,380 of which were totally destroyed.

[21 Jun 86, Part 7]

[Text] After assessing the devastating effects of the disaster, the president issued an order on 31 January 1983 forming the Higher Council for Reconstruction to draw up a general policy for rebuilding the damaged areas and to coordinate the efforts of agencies involved in the construction and rescue process. The decision granted the council full powers that can ensure the rebuilding of damaged areas. It also provided it with an executive office in charge of preparing technical, engineering and geological studies and plans and work programs for reconstruction, to be submitted to the Higher Council for ratification.

On May Day 1983, Secretary General Col 'Ali 'Abdallah Salih laid the cornerstone in the city of Dhamar for a reconstruction project to rebuild areas damaged by the earthquake. Likewise, the cornerstone was laid on the same occasion for the following villages:

1. East Dhamar
2. Dawran
3. Hijrat Manqazah
4. Risabah

[These are] the centers of the more severely damaged districts of 'Ans, Jahran, Dawran and al-Hada'. In the same week in which the president laid the

cornerstone for the project, preliminary work on the project got underway through the following stages:

1. Reassessment.
2. Survey of affected areas.
3. Housing unit design.
4. Layout and design operations.
5. Preparation of documents and notices to builders.
6. Award of contracts.

In designing the housing units, special care was taken to use suitable and economic areas and to build vertically and horizontally expandable 2-floor houses that meet health requirements and are reasonably tremor-resistant and to use building materials and methods suitable to the environment and readily available for future expansion.

The general layouts were based on the idea of forming housing complexes of 18 houses each that open onto grounds surrounded by service roads.

Moreover, areas have been set aside for service facilities and utilities, such as a mosque, health center, sewage and other modern conveniences.

Furthermore, each house has been allocated special grounds for expansion, storage space, animal shelters and other necessities of rural life, in keeping with social considerations.

With regard to the choice of sites, care was taken to find locations remote from mountain slides, geological faults and flood areas, close to the peoples' land and livelihood and suitable for future expansion. The choice of these sites was based on a geological study of all areas and analysis of samples obtained from different parts of the sites.

Companies working on the project began moving to the work site in September 1984.

With regard to the renovation of damaged houses, final statistics show that the number of structurally-damaged houses was 24,060.

Moreover, survey work in 10 villages revealed that 33 percent of the houses were beyond repair and will be added to the destroyed houses list of the reconstruction program, while part of the houses sustained mild damage. The renovation program includes 10,000 houses, 1,400 of which are in the city of Dhamar.

Renovation work began in February 1985. The Higher Reconstruction Council determined the cost of renovation at a maximum [amount omitted] for 2-story houses and 45,000 riyals for [each-?] 3-story houses. Anything over this amount is to be made up by the individuals.

There is also private construction which is part of the reconstruction program. This operation is concentrated in West 'Ans, al-Sharq Mountain and Northwest Dawran for several reasons, including the fact that these areas include out-of-the-way underdeveloped villages that do not allow contractors to submit bids at reasonable prices, thus prompting them to turn to private construction rather than supplying imported materials and skilled labor at the project's expense. Inhabitants supply local materials, including stone, sand and gravel, as well as unskilled labor.

As for the areas of privately-built houses, several options have been adopted based on the people's ability to pay, the size of the family and other factors.

While signing a contract, each person is given two options with regard to area and building materials.

Hence, work on the reconstruction program is underway, including the building of housing units, private construction and renovation, using available capabilities with help from fraternal and friendly countries.

Work progressed rapidly in the last period and great headway has been made toward completing all aspects of the project.

Work on the project has been the subject of interest and follow-up on the part of Col 'Ali 'Abdallah Salih whose efforts, follow-up and constant guidelines have had great influence on the implementation of this project, for he has worked from the outset to devote available resources and capabilities for the quick implementation of this project. He is still following up the progress of work through the Higher Reconstruction Council, issuing guidelines to competent authorities to remove any obstacles in the way of implementation and to make available all necessary requirements for completing the project according to plans and on schedule.

Last March 26, a presidential decree was issued to form a commission to deliver finished houses to the claimants in the damaged areas. The commission included chairmen and members of the local councils for cooperative development in Dhamar Governorate and was charged with delivering finished houses to stricken area inhabitants on behalf of the Higher Reconstruction Council.

On March 29 a big celebration was held in Dhamar Governorate to mark the occasion of delivering 1,500 finished houses as a first part of the reconstruction program.

The celebration was attended by the president and senior government officials as well as by a large number of diplomats and international agency representatives living in Sanaa and a large crowd of citizens. It was announced on this occasion that the rest of the houses included in the

reconstruction program would be delivered as they became available. It was also announced that residential buildings under construction or near completion are distributed over 1,000 locations covering 20 areas in Dhamar Governorate where work is proceeding simultaneously.

These buildings have been divided into 17 bidding units, 9 of which are being carried out by the executive office via building contractors and self-financing from higher council funds. The number of houses in these groups is 4,620 at a cost of 440 million riyals.

12502
CSO: 4404/402

NAJIBULLAH REMARKS ON CONDITIONS FOR WITHDRAWAL OF SOVIET TROOPS

LD130852 Kabul BAKHTAR in English 0439 GMT 13 Jul 86

[Text] Kabul, 12 Jul (BAKHTAR)--We firmly believe in our people's victory. The counterrevolution will not be able to continue even for one day its disgraceful life without the help of reaction and imperialism, said Comrade Najibullah, general secretary of the PDPA CC in reply to a question posed by Mushahid Husayn Said, editor-in-chief of the Pakistani newspaper MUSLIM.

"You are well aware that the April Revolution in the first days of its triumph enjoyed the extensive and selfless support of the masses, as well as encountered the hostile reaction of the reactionary and imperialist circles and forces," Comrade Najibullah added.

"The undeclared war, headed by the U.S. imperialism, is waged with its ever broader dimensions against our country. As a result of the unbridled and growing aggressions and interferences launched by reaction and imperialism, the independence, sovereignty and territorial integrity of the country are subjected to serious threat.

"We have frequently proclaimed that whenever these aggressions and interferences in the internal affairs of our country are ceased and their non-recurrence internationally guaranteed, the limited Soviet contingent will return back to its peaceful country."

"I can assure you," Comrade Najibullah said, "that our revolutionary power is able to exterminate at the earliest the savage and isolated counterrevolution inside the country and establish nationwide peace and security in the DRA, because--and one must pay attention to this--The April Revolution has triumphed with the inviolable will of the working masses of the people, and it expresses the vital interests of the whole working people of our country.

"The revolutionary power is increasingly strengthened by our working people's solidarity with and their vigorous, unsparing and dedicated participation in it, its potentiality to defend the independence, national sovereignty, territorial integrity of the country and the achievements of the April Revolution is being ever enhanced," Comrade Najibullah stressed.

/9274
CSO: 4600/411

NAJIBULLAH DISCUSSES GENEVA TALKS, SOVIET WITHDRAWAL

LD130713 Kabul BAKHTAR in English 0418 GMT 13 Jul 86

[Text] Kabul, 12 Jul (OANA-BAKHTAR) [as received]--We have participated in the previous rounds of Geneva talks, pursuing a principled policy based on political determination, good will and necessary flexibility.

This was stated by Comrade Najibullah, general secretary of the PDPA CC in an interview with Mushahid Husayn Said, editor-in-chief of the Pakistani newspaper MUSLIM.

"We will maintain this constructive stand of ours in the future negotiations as well. The fact that what will be the outcome of the forthcoming talks, depends on the other side. [sentence as received] If the other side also acts in harmony with the will and interests of its people, and adopts a similar stand, then there will, certainly, be the possibilities of progress," Comrade Najibullah said.

"In view of the existing understanding between the parties of the talks, I cannot elaborate on the talks in detail, but it could be said in general, that there still exist some points that have to be worked out and finalized," Najibullah added.

"The Pakistani authorities, as is seen, have expressed their wishes for a political solution of the situation around Afghanistan, but there exists a big gap between expression of good wishes and deed," Comrade Najibullah remarked. "The political action of the Pakistani side in this regard, is considered the best criterion for our judgment. Therefore, we have to wait and judge on the sincerity of the Pakistani side in the light of its future deeds," he said.

"Concerning the time-frame of the withdrawal of the limited contingents of the Soviet Union which is a matter being exclusively belonging to the DRA and Soviet Union, we have achieved agreement with that country," Comrade Najibullah went on to say. "In setting the time-frame for the withdrawal of these contingents we have taken into consideration the supreme national interest and the objective conditions of the inside and around the DRA and we are participating in the negotiations on the basis of such a stand."

"The speculations being disseminated in this regard cannot affect our decisions in connection with this issue," Comrade Najibullah emphasized.

"Furthermore it should be mentioned that as it is clearly stated in the well-known statement of 24 August 1981 of the DRA government, the securing of complete and reliable cessation of armed and any other intervention in the domestic affairs of the DRA and the creation of conditions making impossible the recurrence of such interference in future must be the main aim and basic content of the political settlement," general secretary of the CC, PDPA remarked.

/9274
CSO: 4600/411

NAJIBULLAH ASSAILS U.S., PRC, IRANIAN SUPPORT FOR REBELS

LD130656 Kabul BAKHTAR in English 0433 GMT 13 Jul 86

[Text] Kabul, 12 Jul (BAKHTAR)--The medieval regime of Iran spares no effort to export criminal counterrevolutionary bandits for carrying out sabotage in Afghanistan, killing the working and Muslim people and cynically claims to export the so-called "Islamic Revolution" into the DRA.

Comrade Najibullah, general secretary of the PDPA CC, emphasized that in an interview with Mushahid Husayn Said, editor-in-chief of the Pakistani newspaper MUSLIM.

"All such hysterical deeds of the regime of Iran, far from being linked with the demands and will of our working people and those of the Iranian brothers, are contrary to them," Comrade Najibullah added.

Being asked about China's role regarding Afghanistan, Comrade Najibullah said: "In the undelcared war of reaction and imperialism against the DRA, there exists a black and horrible collusion between the USA, its loyal hirelings and Beijing chauvinism."

"The renegade leadership of China," he went on to say, "plays one of the main roles of this dirty war against our people and revolution. There exists military training camps in the Sinkiang Province of China where the Afghan counterrevolutionaries receive training conducted by Chinese instructors, equipped with Chinese weapons and are exported to our revolutionary country for creating horror, destructive activities and killing of innocent people."

"The mass media of China in unison with other reactionary and imperialist mass media takes an active part in the psychological war. The conditions are the same in diplomatic sphere.

Chinese renegades render all-out assistance to the counterrevolutionary bandits entrenched in Pakistan, conduct military training, arm and equip them. By sending them into our country, they practically take part in slaying innocent people, destroying public utility establishments and plundering the property of the people.

The total military aid of China to the counterrevolutionary bandits in Pakistan soil exceeds 200 million dollars," Comrade Najibullah stated.

NAJIBULLAH DECRIES U.S. IMPERIALISM IN INTERVIEW

LD130641 Kabul BAKHTAR in English 0427 GMT 13 Jul 86

[Text] Kabul, 12 Jul (BAKHTAR)—The U.S. imperialism as the organiser of the undeclared war is chiefly responsible for the bestial killing of thousands of Afghan children and elders, the most savage crimes and in a medieval manner, the arsoning, destruction and terrorism committed by the mercenary counter-revolutionary bands, said Comrade Najibullah, general secretary of the CC, PDPA, while touching on the hostile stand of the U.S. imperialism against the DRA, in a reply to a question posed by Mushahid Husayn Said, editor-in-chief of the Pakistani newspaper MUSLIM.

The mercenary counter-revolutionary bands have so far received more than two billion U.S. dollars for training and equipping the slayers with most up-to-date terroristic and mass destruction arms, he added.

Now, the U.S. imperialism embodied in the criminal and adventuristic Reagan administration which has changed [as received] terrorism as its official state policy, is openly and shamelessly proud of these barbaric deeds which it commits against the revolutionary people of Afghanistan, Comrade Najibullah remarked.

The main aim of U.S. imperialism in continuing the undeclared war against Afghanistan is to create obstacles to the path of realization of deep and basic socio-economic developments which constitute the main objectives of the April Revolution, Najibullah pointed out.

/9274

CSO: 4600/411

NAJIBULLAH URGES TRIBAL CHIEFS TO WORK FOR NATIONAL ACCORD

Kabul KABUL NEW TIMES in English 8 Jul 86 p 1

[Text]

KABUL. (BIA)—

Comrade Najib, General Secretary of the PDPA Central Committee took part yesterday in the jirgah of elders, chieftains and representatives of various tribes from Kandahar, Helmand, Oruzgan and Zabul provinces held in the Stor

Palace of the Ministry of Foreign Affairs. Comrade Najib talked to them on the prevailing situation in the country and restoration of complete peace and security throughout the country.

At the outset, Qari Mohammad Amin Kandahari recited verses from the holy Quran and prayed for the progress and prosperity of Afghanist an and tranquility of our people under the leadership of the PDPA.

Expressing pleasure over his meeting with the valiant tribal chiefs and representatives of the provinces, Comrade Najib recalled their proud his-

tory and traditions and heroes. He expressed confidence that the courageous and brave people of Kandahar, Helmand, Oruzgan and Zabul provinces will today too, like their heroic forefathers, defend along with other Afghan people the country's honour, independence and freedom sparing no sacrifice.

They will continue their just struggle against imperialism, reaction and their hirelings who have unleashed the undeclared imperialist war against our people and country.

Comrade Najib re-emphasized in his talk the objective of national compromise and conciliation with those compatriots who are leading a miserable and calamitous life in foreign countries and called on the participants of the

jirgah to exert all their efforts to conveying to them the humanitarian aspirations of the party and the revolutionary state and invite them to return at the earliest to their beloved homeland.

work for the progress of the country, prosperity and tranquility of the people.

Comrade Najib said that the party and our revolutionary state have taken all necessary measures for bringing about a national compromise and conciliation in Afghanistan and entrusted full authority to the people's trusted representatives so that they may hold jirgahs for cessation of bloodshed and genocide and exert their patriotic efforts for maintaining countrywide peace and security.

At the end, Abdul Hakim Qaderi on behalf of tribes and nationalities of Kandahar province, Haji Mohammad on behalf of Helmand province, Mirza Abdul Hakim representing the tribes and nationalities of Zabul province and Abdul Hamid on behalf of the tribes and nationalities of Oruzgan province spoke. They expressed their firm readiness to realise the progressive objectives of the party and revolutionary state and wished ever greater successes to Comrade Najib in his great tasks.

/12828
CSO: 4600/426

WDOA ACTIVITIES EXPAND IN SAMANGAN

Kabul KABUL NEW TIMES in English 30 Jun 86 p 2

[Text]

AIBAK, (BIA)—
The Women's Democratic Organisation of Afghanistan has organised the women of Samangan province enabling them to tackle their daily problems along side their brothers.

Currently, around 700 housewives, teachers, students, pupils, employees and workers of state departments and other working women including different tribes and nationalities of the province, have mobilized themselves in one city, one district and one sub-district councils as well as in 36 primary organisations of state institutions and residential areas belonging to Samangan WDOA provincial council.

Stating the above Marukh Deljo, a woman who is incharge of Samangan WDOA provincial council said that presently 15 literacy courses are functioning in Aibak city and Khulm district in which 210 housewives who had been deprived of literacy, are enrolled. They are taught by some WDOA members and the

teachers of literacy directorate of Samangan.

The WDOA of Samangan has also organized training and political work among the women, conducted discussions and exchanged views on their rights and freedoms, the ominous intention of counter-revolutionary elements, training of children, home management and other issues.

She added: "As a result of vast publicity work carried out among the women, 53 heroic women, including housewives and girls of Aibak, Khulm and the sub-district of Hazrat-i-Sultan, have joined the ranks of the revolution defence groups.

They actively take part in all security activities of their area beside their brothers.

Also, some vigilant girls of the province have also been mobilized in the ranks of the soldiers of the revolution and fulfil their revolutionary tasks in defending the homeland, people and revolution.

/12828

CSO: 4600/424

JANGALAK FACTORY LEADS IN PRODUCTION, WORKERS WELFARE

Kabul KABUL NEW TIMES in English 1 Jul 86 p 2

[Text]

The Jangalak factory has produced goods worth of Afs 50.6 million during the first two months of the current year. The actual production target of the factory for this period was Afs 50.2 million.

Last year, the factory exceeded its envisaged plan by 15 per cent and achieved a production worth 275 million Afghanis.

The factory won the second place in last year's work drive launched among the industrial and construction institutions of the country and received the joint honourary banner of the PDPA CC, DYOA and the Central Council of Trade Unions of Afghanistan.

With the completion of the new foundry unit in the extended project of the factory, the work of which is underway and would be completed by the end of current Afghan year 1365, the productive capacity of the existing unit will increase by four times.

The annual production capacity of this unit is 2120 tons of steel, cast iron etc. Which can meet, according to the forecast of the plan, all the metal requirements of industrial institutions of the country.

The workers of this enterprise have made a collective commitment to fulfill the current year's plan ahead of schedule and save one million Afghanis for the state through economisation in the use of raw materials and power.

Likewise, the workers of vehicles repairing unit of the factory have resolved to save Afs 100 thousand by making use of worn out spare parts in re-activating machines.

With an end to boost the national economy and raise the level of production, the workers of the factory have carried out 14 times voluntary work on the occasion of 18th anniversary of the revolution resulting in a saving of Afs 5.6 million to the state.

The workers saved last year Afs 1.4 million for the state budget through economisation in use of raw material, power energy and making use of old spare parts.

The units of power energy, vehicle repairing and metal works have been recognised as top sections in the work drive of the factory. The workers of these units have repaired and re-conditioned through utilisation of old spare parts a transformer with a capacity of 10,000 kw and two electric motors saving Afs four million.

The Jangalak factory is one of the biggest industrial institutions of the country built with the economic and technical assistance of the Soviet Union. The factory began functioning in 1960 with an initial capital of Afs 175.9 million.

At present, 1,100 workers are working in Jangalak factory. The factory is composed of eight main productive units such as metal working, metal mechanics, foundry, vehicles repair oxygen productions, electric implemen-

nts, carpentry, moulding and painting. Mobile and stationary tankers, metal bodies for vehicles, steel balls for Ghori cement factory, wheat cleansing machines, agricultural ploughs, hangars with different capacities, metal cost furniture etc. Constitute the main product of the factory.

In order to provide workers with more facilities the factory has built a modern residential block in the vicinity of the factory. It was inaugurated in honour of the 8th anniversary of the April Revolution and put at the disposal of workers.

A well-equipped clinic is also functioning in the factory treating free of charge the workers and their families.

Technical courses were set up last year aimed at raising the skills and training of workers. So far, 100 workers have graduated from these co-

urses and are assigned to various sections in the factory.

The Jangalak factory has taken an active part in campaign against illiteracy. Now, three literacy courses attended by 85 persons are run in the factory. The remaining workers of the factory graduated during 1984-85 from the literacy course. Most of them have been introduced to technical professional schools to continue their education. The workers of the factory have formed self-defence groups with 710 members to defend their factory. They do not permit the enemies of homeland and revolution to create even the slightest obstruction to production process.

It is planned that a wellequipped technical schools be established on the eve of 22nd anniversary of the PDPA for enhancing the professional skills of the workers.

/12828
CSO: 4600/424

CHEMICAL FERTILIZERS TO BOOST AGRICULTURAL PRODUCTION

Kabul KABUL NEW TIMES in English 9 Jul 86 pp 1-2

[Text]

Over 145,000 tons of chemical fertilisers, 15,000 tons of seeds and agricultural and veterinary drugs worth Afs 100 million were distributed during the current year to peasants in the country.

The distribution of chemical fertilisers has been gone up from 44615 tons after the victory of the April Revolution in 1978, to 155,000 tons in 1985 indicating the wide-scale activities of Chemical Fertiliser and Agricultural Services Enterprise and

growing interest peasants and horticulturists in use of fertilisers.

According to a recent evaluation, the use of chemical fertilisers has helped increase yields by 34 per cent and greatly improved the quality and growth of plants, fruit trees and vegetables.

Thanks to the April Revolution, the system of distribution of goods and giving technical assistance to peasants, livestock

breeders and horticulturists has been improved with the establishment of the distribution networks for agricultural products in various parts of the country. Now the peasants can receive in a short time and from nearest distribution agency their needs.

Today seven main distribution centres, 11 regional offices, 19 agencies, 72 godowns, 26 depots and 617 retail sale stores offer at country level chemical fertilisers, pesticides and agricultural light machinery to state farms, agricultural co-operatives, individual farmers, livestock breeders and horticulturists. The quantity and variety of chemical fertilisers distributed to peasants depend on the area of their farming land and the cultivation season.

Relying on the experience, urea fertiliser is used in greater quantity during the spring campaign mainly beginning in March and ammonium phosphate in the autumn campaign.

Owing to the sufficient snow and rain falls heralding a rich year, the distribution of 145,000 tons of chemical fertilisers to peasants, receipt of 110,000 tons of urea (produced by Mazar-e-Sharif chemical fertiliser and power generation plants) from the Ministry of Mines and Industries, import of 60,000 tons of urea and phosphate from the Soviet Union and transport of 242,000 tons of agricultural inputs and products to localities are planned for the current year.

Likewise, in order to meet the fertiliser needs of peasants in south, southwestern and western parts of the country, a protocol on exchange of 30,000 tons of chemical fertiliser has been concluded with the Soviet Union, which will be received through Torghundi port. Afs 111 million have been saved in 1985 on transport as a consequence of the protocol.

With the implementation of the first five years plan after the revolution, the distribution of chemical fertiliser will increase proportionate to expansion of state farms, extension of mechanised agriculture and social and veterinary services, from 130,000 tons in 1985 to 220,000 tons in 1990 involving a growth 12 percent every year. Also the distribution of pesticides will increase from Afs 70 million to 120 million.

Moreover, the construction of sufficient number of godowns at local levels particularly in frontier provinces aimed at strengthening the economic base of peasant families,

training of professional cadres through holding courses and special seminars inside the country and sending youth abroad are considered in the five year plan.

To support the co-operative movement, mobilise the peasants in agricultural co-operatives and strengthen their financial base the state in addition to granting bank credits has undertaken distribution of sulfur on loan to horticulturists and sale of surplus products of the peasants to their advantage through the Union of Peasants Co-operatives.

The Chemical Fertiliser and Agricultural Services Enterprise was fo-

unded and started functioning in 1983 with an initial capital of 350 million Afs. Its capital now amounts to 427 million Afs.

Since its very days of inception, the enterprise has carried out fruitful activities for supply, preparation, transport, stocking and proper distribution of agricultural wares including chemical fertilizers, seeds, light agricultural machinery, variety of pesticides and insecticides and done a great deal for boosting agricultural yields and animal products to the benefit of peasants, horticulturist, livestock breeders, state farms and agricultural co-operatives.

/12828
CSO: 4600/426

BRIEFS

NAJIBULLAH ON PARTY LEADERSHIP--Kabul, 12 Jul (BAKHTAR)--"The resolutions of the 18th Plenum of the PDPA CC enriches the process of the strengthening and consolidation of the principle of collective leadership of the party and is of a principled importance in the completion of party and state structure. These are the genuine reasons for the decisions of the 18th Plenum of the PDPA, CC," said Comrade Najibullah, general secretary of the Central Committee of the People's Democratic Party of Afghanistan CC PDPA replying [to] a question posed by Mushahid Husayn Said, editor-in-chief of the Pakistani newspaper MUSLIM. The 18th Plenum of the PDPA CC approved the proposal of Comrade Babrak Karmal regarding his relieve from the post of the general secretary of the PDPA CC due to health reasons and taking into consideration the accumulation of the tasks of party and state leadership in the present conditions of the country. A decision was made on the division of the duties of the general secretary of the PDPA CC and the president of the Revolutionary Council of the DRA, Comrade Najibullah said. [Text] [Kabul BAKHTAR in English 0415 GMT 13 Jul 86 LD] /9274

FAMILIES REPORTEDLY RETURNING--Twenty seven families, who had been decieved by the venomous propaganda of the enemies of the revolution and deserted their houses and country, returned to their homes in Ahmad Khel and Mirzaka districts, Paktia province and commenced their peaceful life. Another ten families, residents of Samkani district, Paktia province who were far away for some times from their country, realising the truth of the glorious April Revolution and baseless claims of enemy, returned to the fold of their country. Mohammad Nawroz, one of them said to a BIA correspondent. We who had been deceived by the venomous progaganda of the enemies of the country and spent some time in hot camps in Pakistan noticed how the barbaric counter-revolution trickily uses our deceived compatriots and with the close cooperation of Pakistani militia send them by force along with armed groups into Afghanistan for committing fratricide and terror. If some people didn't obey their commands, they are put in the personal jails of the ring leaders of bands and those of Pakistan. Standing behind these groups who are sent into our country are Pak military units who protect bands with heavy arms in order to strengthen their morale. [Text] [Kabul KABUL NEW TIMES in English 9 Jul 86 p 1]/12828

REFUGEES REPORTEDLY FORCED TO FIGHT--The medieval government of Iran rounding up Afghan fugitives from different cities of Iran have been sending them to the fighting front in the war against Iraq. Reports reaching BIA say that recently the Sapah Pasdaran (guards) of Iran rounded up 74 Afghan fugitives from Shams Abad and 400 from Isfahan city and sent them to the front. If the fugitives do not obey the command they are jailed. Thus 180 Afghan fugitives were put on trial and jailed. According to another report, the government of Iran has set up a new military centre in Mashhad city for training the fugitives to fight the war with Iraq. The fugitives are being rounded up from different cities and brought to this centre for military training. The report adds that the Iranian government in order to force the fugitives to go to the front does not allow them to work in Iran. The idea is that with their scanty money and rations they can be compelled to join the fighting. [Text][Kabul KABUL NEW TIMES in English 8 Jul 86 p 1]/12828

CSO: 4600/426

CONTENT OF COUNTRY'S FIRST AGRICULTURAL CENSUS REVEALED

Dhaka THE BANGLADESH TIMES in English 27 Jun 86 pp 1, 8

[Text] The report on the country's first agricultural census on full count basis was published in Dhaka on Thursday. The 1983-84 census which provides small area statistics up to mouza level was released by Planning Minister Maj. Gen. (Rtd) M Shamsul Haq.

The previous censuses of agriculture of 1960 and 1977 were conducted on sample survey basis in rural areas only. But the just published census report covers full count of households in all areas both rural and municipal.

Speaking on the occasion the Planning Minister said that the census results would go a long way in providing small area statistics up to mouza level, a prerequisite for local level planning and development, in tune with the Government policy for decentralisation of administration, planning and decision making.

The Planning Minister hoped that the policy makers and all other users, particularly the upazila and local government institutions, would benefit from the very "rich" data base at micro level provided in the district volumes of the agricultural census report.

He said that despite human material and financial constraints Bangladesh Bureau of Statistics (BBS) had completed the census according to the schedule. He expressed his happiness over the performance of the BBS.

The Minister thanked all who had been associated with the census. He expressed his gratitude and thanks to the UNDP, FAO and NORAD for the material and technical assistance to the census.

The Secretary, Planning Division and the Secretary, Statistics Division and the Director-General of BBS were present at the press conference. Dr A K M Ghulam Rabbani, Secretary, Statistics Division and DG, BBS answered the questions of the newsmen.

Dr Rabbani informed that about Taka five crore including a NORAD grant of Taka one crore was spent on the agricultural census. Dr Rabbani said that the agricultural census was carried out in three phases beginning from April, 1983 to December 1984.

Some of the salient features of the agricultural census 1983-84 (non-municipal areas) are as follows:

Total number of households - 13,817,646.

Total number of farm households - 13,817,646.

Total number of non-farm households - 3,772,347.

70.3 per cent of the farms are small, 24.7 per cent medium and 5 per cent are large.

Total operated area - 23,019,885 acres. Of this, 22,678,464 acres are under operational control of the farms. Area operated by small medium and large farms are respectively 29 per cent, 45 per cent and 26 per cent of the farm area.

Average operated area per household - 1.67 acres.

Average operated area of the farm household - 2.26 acres.

Total homestead area - 965,986 acres.

Total cultivated area - 20,157,564 acres.

Per capita cultivated area - 0.25 acre.

Average size of the farm household - 2 acres.

Number of farms reporting irrigation - 4,426,841 (32 per cent of the farms) who irrigated about 20 per cent of their total cultivated area.

Total number of cattle and buffalo - 22,062,257.

Total number of sheep and goat - 14,225,769.

Per capita bovine animal - 0.26.

Average bovine animal per household - 1.60.

Total number of poultry birds - 73,713,161 giving an average of 5.33 per household and 0.91 per person.

Size of the agricultural labour force - 5,495,300 households (40 per cent of the total number of households).

6.7 per cent of the households reported cottage industry in their premises.

8.7 per cent of the households own no land, 9.4 per cent own up to 0.04 acre 28.2 own 0.05 to 0.49 acre. 19.6 per cent of the households have homestead area but no cultivated area. 28.2 per cent have homestead area and operate cultivated area from 0.0 [figure illegible] to 0.49 acre.

/13046

CSO: 4600/1927

WRITER QUESTIONS PRIVATE RICE SALE TO RUSSIANS

Calcutta THE STATESMAN in English 5-6 Jul 86

[5 Jul 86 pp 1, 9]

[Text]

SELLING rice to the Russians is a lucrative business. The exports are labelled "White Indian Basmati Rice". But the rice is not basmati. Not that the Russians would dream of complaining. They seem content to pay a high price for inferior grain. They have even taken steps to ensure that India's official inspection agencies are powerless to insist on quality control. The choice of the two exporters—Deeksha Holding Private Limited and Rama Associates Private Limited—is no less intriguing for neither has any previous experience of handling rice exports. But the owners of both companies, Mr Lalit Suri and Mr Subhash Goyal, are said to have friends in high places. Does this alone explain why the Russians should enable them to make a handsome profit (Rs 14.4 crores in the case of Deeksha Holding) by palming off cheap Parnal rice as expensive basmati?

MR Lalit Suri denies he is directly involved in rice exports. Asked about Deeksha Holding Private Limited, the company that has been awarded two consecutive orders to supply basmati rice to the USSR, he says he is not directly connected with it. Asked if he is indirectly connected, Mr Suri says he doesn't want to answer.

Last year the Soviet Union favoured Deeksha Holding with an order for 10,000 tons of white Indian basmati rice. And last month,

the company got another order for 36,000 tons of the same rice. Deeksha Holding thus joined Rama Associates Private Limited, the company owned by Mr Subhash Goyal, in a lucrative export trade.

Both companies are selling the rice to the Russians at the minimum export price of Rs 7,500 a ton. And both purchased stocks for export in May, 1986 to prepare the consignment. Rama Associates, which has been in the trade for the past four years, procured most of its stocks from the S.S. Rice Mill at Dohana in Haryana.

Deeksha Holding, which has had no previous experience with foodgrains, arranged for the supplies to be obtained through a Delhi-based firm, Navbharat Traders. Indeed, Deeksha's supply was repacked in the North Delhi godown of Navbharat Traders.

The price of basmati rice in the Delhi wholesale market fluctuated between Rs 8,500 and Rs 9,000 a ton in May. Now, following imports from Pakistan, the price has dropped to about Rs 8,000 a ton.

LESS THAN COST

Records available with the Kandla Port Trust show that basmati rice exported to countries other than the Soviet Union had an FOB price of between Rs 9,500 and Rs 10,000 a ton. So, how do Deeksha Holding and Rama Associates manage to sell basmati rice at less than cost?

A visit to the sprawling godown of Navbharat Traders in Bakolti village of the Alibur block in North Delhi yields part of the answer. And the rest is available on a visit to the godown of Rama, Associates in Lawrence Road, also in North Delhi. Navbharat Traders is owned

by Mr Parvez Goel. Insight found his employees busy packing bags of rice. The bags were marked "White Indian Basmati Rice" and the godown overseer, also a Navbharat employee, confirmed that the consignment was bound for the USSR. He also confirmed that it was being sent on behalf of Deeksha Holding, the firm with which Mr Lalit Suri is so coy about admitting his association.

Navbharat Traders' owner, Mr Parvez Goel, says that he has no knowledge of the rice except that his godown has been rented out to Deeksha Holding. He claims not to know who the owners of the company are. Asked if his employees are involved in the packing work, he says that they, like the godown, have been hired by Deeksha Holding. Asked if he has been paid by cheque, Mr Goel says that payment has not yet been made.

Samples of the rice collected by Insight show that it is medium quality Parnal rice which is available in the wholesale market at Rs 3,500 a ton. With the Russians paying Rs 7,500 a ton for it, apparently under the impression that they are buying Basmati, Deeksha Holding, with an order for 36,000 tons, ought to have netted a profit of Rs 14.4 crores.

A similar anomaly is evident at the Lawrence Road godown of Rama Associates. Here too Insight found rice being packed for despatch to the Soviet Union. Bags marked "Parrot Brand Export Quality Rice", made by the S.S. Rice Mill in Dohana, are opened and the contents transferred to other bags marked "White Indian Basmati Rice". Rama Associates also has an order for 36,000 tons. And,

in May, the wholesale price of Parmal rice went up from Rs 3,250 to Rs 3,500 a ton. By all accounts, the Russians are quite satisfied with the deal. Indeed, they would seem to be particularly wary of any action by the Government of India to ensure that they are supplied what they are paying for—basmati rice.

NO CHECKS

Through stipulations in the contract signed with the exporters, the Russians have recognized two private inspection agencies—TCRC in Delhi and Ge-chem in Bombay—as being competent to certify the quality of rice. As a result, India's official Export Inspection Council is reduced to only countersigning whatever these agencies certify. Council officials confirm that they make no actual checks.

According to the Union Commerce Ministry, the total quantity of ba-mati rice available for export in any given year ranges between 100,000 and 150,000 tons. On the other hand, a total of 309,750 tons were exported in 1981-82, 178,078 tons in 1982-83, 141,664 tons in 1983-84 and 229,485 tons in 1984-85.

The high stakes, perhaps, explain the mystery about the ownership of Deeksha Holding. Mr Suri has denied that he has any direct connexion with the company. Instead, he wants to know why the Press doesn't ask about his buying "The Daily", a Bombay newspaper formerly owned by Mr R. K. Karanja of Blitz fame. The other man, who ought to know who the true owner of Deeksha Holding is, Mr Parvesh Goel, says he doesn't.

However, File No. 15912 at the office of the Registrar of Com-

panies, Delhi, which relates to Deeksha Holding, throws some light on the matter. The company was incorporated in 1983 and the promoters were Mrs Jyotsana Suri of 1-D Sagar Apartments, Tilak Marg, New Delhi, and Mrs Raj Kumari Nanda of 16 Ring Road, Lajpat Nagar, New Delhi.

The company has a paid-up share capital of Rs 100,000 divided into 1,000 shares of Rs 100 each. Mrs Jyotsana Suri, who is described in the company documents as the wife of Mr Lalit Suri, holds 700 shares. Mr Suri himself holds 200 shares. Mrs Nanda and Mrs Deergh Kaur of Malcha Marg, New Delhi are shown to hold only 10 shares each.

Although incorporated in 1983, no annual returns of the company are available on file. But more important than the documents available with the Registrar of Companies is contradicting Mr Lalit Suri's claim of "no direct involvement". Is a letter from Deeksha Holding to a Government agency which is signed by him as chairman of the company.

QUESTIONS

And 1-D Sagar Apartments, Tilak Marg, New Delhi, which is Deeksha Holding's registered office, is also Mr Lalit Suri's residence. The mystery of these exports raise several questions.

Why, in the first place, were firms like Rama Associates, some years ago, and Deeksha Holding recently chosen to supply rice to the Russians when they had virtually no previous experience in the field? And why is the USSR

content to pay a high price for inferior rice, accepting Parmal as basmati?

Mr Subhash Goyal stated some years ago that he was a disciple of Swami Dharendra Brahmachari. And Mr Suri belongs to a family which has been involved in several controversies in the past due to its reported closeness to the powers that be. The manner in which the Suris were given permission to construct a hotel in the heart of New Delhi, for instance, and their selection for a prestigious Maruti dealership have both provoked comment. Is patronage, then, the prime factor responsible for the choice of these companies? It might also be asked why the Government of India tolerates a situation where its own official inspection authorities have been totally sidelined by two private agencies nominated by a foreign power.

Why, for that matter, does Mr Suri deny his involvement with the exports? Is this denial caused by the uncomfortable awareness that since he has no previous experience of rice exports, admission of the contracts might prompt suspicions of extraneous considerations?

The Russians are predictably tightlipped about the whole business. But they have the most important question to answer. Why do they accept rice that everyone knows is not basmati and pay for it at a much higher rate than necessary? After all, what interest could the USSR have in the well-being of a Subhash Goyal or a Lalit Suri?

[Text]

CONCLUDING their investigation of the mystery of overpriced rice exports to the Soviet Union, Insight found that the exporting company owned by Mr Lalit Suri paid Rs 10.88 crores in just 43 days to the Shiv Trading Company of which no one seemed to have heard. In fact, Mr Suri's Deeksha Holding Private Limited spent only Rs 11.38 crores on buying 36,000 tons of parmal rice (whose market price should have been 12.6 crores) which the Russians happily accepted as white basmati costing Rs 27 crores. Insight discovered other strange ramifications such as a payment of Rs 12 lakhs to Mrs Jyotsana Suri and an extraordinary reticence on the part of at least one of Shiv Trading's owners. Other evidence of such secretiveness, as well as the apparent Russian willingness to pay out a fortune, suggests that there might be more than meets the eye in the rice trade.

ON February 3, 1986, Deeksha Holding Private Limited opened a current account with the Tol'stroy Marg, New Delhi, branch of the New Bank of India. The account opening coincided with an application to the bank for the grant of credit to finance rice exports.

By May the company had been granted a packing credit limit of Rs 2.8 crores and credit against bills purchased of Rs 10 crores.

Deeksha's bank statement provides details of its financial transactions during the past two months when rice was acquired for export to Russia. The biggest payments made during May and June were to a firm called Shiv Trading Company. It received Rs 99 lakhs through Deeksha Holding's cheque no. 00902 on May 7.

On May 21 another payment of Rs 61 lakhs was made vide cheque no. 009018. On May 24 Rs 2.5 crores was paid by cheque No. 009019. On the same day a further payment of Rs 50 lakhs was made vide cheque no. 00920. On May 28 a pay order for Rs 50 lakhs was issued.

Another pay order for Rs 23 lakhs was issued in favour of Shiv Trading on May 29. On the same day a sum of Rs 50 lakhs was paid by cheque no. 00923. The next day two pay orders for Rs 25 lakhs each were issued, and on May 31 there was another pay order for Rs 50 lakhs. On June 6, payment of Rs 12,299,800 was made by pay order.

Two payments of Rs 1 crore and Rs 50 lakhs respectively were made by cheques nos. 440301 and 440302 on June 10. On June 12 two more cheques, nos. 440308 and 440309, for Rs 50 lakhs each were issued to Shiv Trading.

Finally on June 19, a payment of Rs 30 lakhs was made vide cheque no. 440313.

But few people seem to have heard of Shiv Trading Company to which payments totalling Rs 10.88 crores were made by Deeksha Holding Private Limited in 43 days.

Mr Ramkrishan Dass, President of the Delhi Grain Merchants Association, ought to know about Shiv Trading. He is a partner in a wholesale firm of Naya Bazar, Delhi, M/s Ramkrishan Dass Narinder Prakash, which is said to have supplied part of the rice consignment that is on its way to Russia.

But Mr Dass denied having anything to do with supplying exporters. He also denied having ever heard of Shiv Trading. He explained that because of the proposed shift of the grain market to the G. T. Karnal Road in the outskirts of Delhi, there was a rush to have new firms registered with his association. Shiv Trading could be one of these new firms, he suggested.

A second visit to the office of Navbharat Trading, the firm whose godown was used for packing the consignment, provided many of the answers. The proprietor, Mr Parvesh Goel, was not available but his brother was.

Asked about the rice exports, he denied that Navbharat Trading had anything to do with it. About Deeksha Holding he said that Navbharat only let out its godown to the company.

What is the Shiv Trading Company? Mr Goel says it may be a firm in Bakell village of Alipur block in North Delhi. Isn't that

where Navbharat has its go-down? Yes, he says and adds that they are "sort of sister concerns".

Inquiries from employees of Navbharat Traders revealed that Shiv Trading is jointly owned by Mr Goel's firm and M/s Ramkrishan Dass Narinder Prakash. But Mr Ramkrishan Dass had already suggested that Shiv Traders might be a new firm. Yet, to Navbharat Traders it is a "sort of sister concern".

There is no such doubt in anyone's mind about Deepak Trading, another Delhi firm. This has its office on the floor above Navbharat Traders, and Mr Goel admits that it is a sister concern. On May 15, Deeksha Holding paid Rs 50 lakhs to Deepak Trading vide cheque no. 000916.

Several other payments have been made from the Deeksha Holding account on the basis of the credit limit sanctioned by New Bank of India for the export of rice.

On May 15 a sum of Rs 12 lakhs was paid to Mrs Jyotsana Suri vide cheque no. 000911. As noted earlier, Mrs Suri is the wife of Mr Lalit Suri, Deeksha Holding's chairman, herself a Deeksha shareholder, and one of the persons authorized to operate the company's bank account.

Also on May 15, a payment of Rs 50 lakhs was made to Jyotsana Holdings, Private Limited vide cheque no. 000914.

Details available at the Registrar of Companies, Delhi, show that Jyotsana Holdings is a company with a paid-up capital of Rs 200 which was incorporated on December 31, 1983. Two shares of Rs 100 each are held by Mrs Suri and Mrs Raj Kumari Nanda. No annual returns of the company are available for inspection.

Payments of Rs 6 lakhs each were made vide cheques nos. 000912 and 000913 to Ms. Divya Suri and Ms. Deeksha Suri on May 17.

What is the significance of these bank particulars? Deeksha Holding has paid a total of Rs 113,799,800 to Shiv Trading Company and Deepak Trading, two firms involved in the wholesale rice trade.

The wholesale price of high quality parmal rice in the Delhi wholesale market in May and June was about Rs 3,500 a ton. If this was the rice that was purchased, a total of 36,000 tons would have cost Rs 12.6 crores.

However, the details from the New Bank of India show payments of Rs 11.38 crores. And the company stands to receive Rs 27 crores from the Russians for "white Indian basmati rice". Is Rs 11.38 crores all that this "basmati" rice cost? What about the balance of Rs 15.62 crores? Is this the legitimate profit of the middleman—in this case, Mr Lalit Suri—or is there some other explanation for the windfall?

/9317
CSO: 4600/1948

LALDENGA WELCOMED IN AIZAWL AFTER PACT SIGNING

Calcutta THE SUNDAY STATESMAN in English 6 Jul 86 pp 1, 9

[Article by Ashis Chakrabarti]

[Text]

AIZAWL, July 5.—The Mizoram peace accord does not fully satisfy either the MNF or the Centre, according to Mr Laldenga, who arrived here today from Calcutta. It was only "a beginning". Many people were asking why the Prime Minister did not sign the agreement as he had done for Punjab and Assam accords, he said while addressing a large all-party meeting organized on the Assam Rifles Ground to welcome Mr Laldenga.

He said that it was not proper for the Prime Minister to sign an agreement with a party which was still underground. The Prime Minister had to take certain precautions in view of the experience in implementing the Punjab and Assam accords.

According to Mr Laldenga, the idea of an interim coalition Government with the MNF and Congress (I) as partners, was the Centre's. The MNF proposal was to dissolve the Congress (I) Ministry in the State and install an MNF Ministry. But the Centre did not accept the proposal, forcing the MNF to accept the "only alternative" of a coalition Government.

Mr Laldenga said the Centre had suggested certain guidelines for the allocation of portfolios in the interim Government. But the proposals were not acceptable to the MNF. Mr Laldenga said that allocation of portfolios was the Chief Minister's prerogative. Regarding the surrender of arms by MNF, he said, it would be done as envisaged in the accord. There would be a general amnesty. All pending cases against MNF activists would be withdrawn and all prisoners would be released. Mr Laldenga congratulated the Chief Minister, Mr Lalthankawla, on readily accepting the Centre's proposal.

Earlier in the morning, he arrived here to a tumultuous welcome from all sections of the people. Endless streams of people in a festive mood lined the 25-km road from the Tuiriel airfield, waving white flags of peace, singing Mizo patriotic songs, beating drums and dancing as a flower-decked white Maruti drove the MNF leader, who is now the Chief Minister-designate, to the Circuit House. On his arrival at the Circuit House, Mr Laldenga, quiet but barely able to conceal his emotions told reporters: "I am happy to be back among my people. We have achieved the first step of what we set out to do". Asked to elaborate, he said that he always wanted a "political settlement" of the Mizo problem. He would be here for two days before returning to Delhi.

Mr Laldenga said that he would not be in Mizoram when the Prime Minister would arrive here on July 9 on a three-day visit to the State. He was accompanied by his wife and two of his colleagues who took part in the negotiations resulting in the accord. They were Brigadier General Tawnlula, "Chief of the Army Staff" of the Mizo National

Army, the guerrilla wing of the MNF, and Mr Ruanehhina, the "Finance Minister" of the underground MNF Government.

The town woke up this morning in a mood of anticipation. Buses, Jeeps and cars lined the streets to carry people to the airfield to receive Mr Laldenga. He was flown in by Army helicopter from Silchar where he had arrived from Calcutta. A large number of people were disappointed as they could not reach the airfield before Mr Laldenga arrived there.

Even so, it was a remarkable spectacle as about 350 vehicles followed Mr Laldenga to the town. It was a bright sunny day. As Mr Laldenga arrived at the airfield, scores of young men in olive green fatigues and caps of the Mizo National Army surrounded the helicopter. There were hardly any policemen or other security forces, although senior civil officers were present.

Neither the State Government, now under the Congress (I), nor the party's leaders took any part in the celebrations. Mr Ghulam Nabi Azad, the Union Minister of State for Home, who was here for the past two days, however, greeted Mr Laldenga at the airfield. Mr Azad later flew to Silchar in a helicopter.

After Mr Laldenga was escorted out of the airfield, the 350 vehicles carrying the people followed him. All the way they sang songs made popular by underground MNF. They sang in praise of Mr Laldenga, "the leader of Mizoram", of Mizoram which, the song said, "will go higher and higher up" and of the MNA brothers "who died in the jungles fighting the Indian sepoys". Busloads of children and girls joined the MNF volunteers in the singing. Shirts, caps and waistbelts all flaunted Mr Laldenga's pictures or had MNF written on them.

It was a day of memories for former MNF men. Mr Blak Chhunga (29) was one of them. He was arrested in 1974 and served terms at Bhagalpur, Benares and other jails. After his release, although he did not return to the jungles, he continued to be an MNF acti-

vit. There were hundreds of others like him in the airfield who seemed to be relieved that the days of the jungle were over.

Some of the volunteers and sympathizers, however, accused the Congress (I) of betraying Mr Laldenga. The Congress (I) had promised, they said, that it would hand over power "wholly" to the MNF after the latter accepted peace and surrendered arms. The prospect of the Congress (I) remaining in a coalition Government with Mr Laldenga did not much enthuse the people. But for all practical purposes, it would be an MNF Government, they said. Although Mr Lalthanhawla, Congress (I) Chief Minister, was a "good person" he was being misguided by his Finance Minister, they alleged.

Among the other parties, the Mizo Convention has announced its plan to merge with the MNF after the latter is legalized. The president of Mizo Peace Forum, Mr Hrangthakima, travelled in a car with Mr L. B. Thanga, former Chief Secretary of Manipur, to receive Mr Laldenga at the airfield today. Even the People's Conference of the former Chief Minister, Brigadier T. Sallo, shook off its initial hesitation and joined the celebration today.

A Staff Reporter adds: The Mizo National Front leader, Mr Laldenga, said at Calcutta airport on Friday night that all political parties "which criticized the Centre-MNF accord are reactionary". Asked to give his view on Mr Jyoti Basu's comment that this accord would "encourage all secessionist movements", Mr Laldenga said "on the contrary the pact will discourage them".

Mr Laldenga became annoyed when he came to know that rest rooms at the airport and not rooms at the Airport Hotel had been booked for his overnight stay. He sharply criticized the Union Home Minister, Mr Buta Singh, for not making arrangements for his overnight stay at the Airport Hotel. At this point, Mr Laldenga suddenly began behaving rudely with reporters. One of his associates, who was sitting beside him, pushed a reporter for no reason at all.

/9317

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MAJLIS SPEAKER DISCUSSES MAJOR ISSUES AT PRESS CONFERENCE

Tehran ETTELA'AT in Persian 11 Jun 86 p 3

[Text] ISLAMIC REPUBLIC NEWS AGENCY Correspondent—Mr Hashemi Rafsanjani, Speaker of the Majlis and the Imam's representative on the Supreme Defense Council, gave a press conference yesterday afternoon (Tuesday) at which he answered questions from correspondents concerning various issues and the country's domestic and foreign policies.

One correspondent asked Mr Hashemi Rafsanjani: Although we know that the war has been imposed on the Islamic Republic of Iran, and in view of the fact that all resources have been assembled for a final assault to end the war, won't this incite a movement of the Arab countries against Iran? He answered: We do not know to what extent the Arab countries who have been involved so far are capable of joining the conflict. It is possible that this will incite them and make some of them unhappy, but there is not much that they can do. As far as we know, the Arab countries which have been in agreement with Iraq and have acted on Iraq's behalf have regretted whatever they have done. Since it will not benefit them, we consider it unlikely that they will do more than they have done. Indeed, if they are disappointed by Iraq's resistance, they may lean more toward us and accept reality. On the one hand they may suspect that we will intervene in Iraq's domestic affairs after the fall of the Ba'thist party in Iraq, without leaving Iraq's affairs to its people. Iraq will remain independent as an Arab country. We will assist with Iraq's independence. Naturally the Arab countries will be satisfied with us. They may not believe this now, but later they will see how we operate in practice. They may cooperate with us, and we are not worried about this.

Recent Conflicts in Lebanon

Mr Hashemi Rafsanjani was asked a question by a correspondent about the Iranian government's support of the Palestinian fighters and the Islamic movements, especially the Shi'ites of Lebanon, and about the recent conflicts. He said: We are unhappy about these clashes between the Palestinians and the Amal and we are against them. We sent a group to resolve this conflict, but we do not have the complete attention of both sides. The Palestinians, especially the majority PLO wing, does not have good relations with us because of its collaboration with Egypt and Jordan and its friendship with Baghdad. They therefore do not listen to us, and we do not have the full attention of the Amal group. If you are speaking of the Hezbollahis in Lebanon, they listen to us. They are not involved in this matter and are opposed to these internal wars. If we say something to them they accept it, but the Amal group is not so receptive. Sometimes they accept our ideas, sometimes not. We have intervened once or twice and stopped the fighting. We

will also intervene this time to stop the fighting. God willing. There are antagonisms there however, perhaps created by spies or foreign agents, that unfortunately keep these disturbances going all the time.

Improving Relations with West

The Majlis speaker discussed improving the Islamic Republic of Iran's relations with the West, especially France and the United States. He said: It was never our decision to cut relations with the West. For many reasons, we would prefer to have these relations. What we do not want, however, is Western domination. Under the former regime the West was dominant in Iran: America interfered in our domestic affairs, and at that time our independence was compromised. We want to have good and friendly relations. We are trying to establish better relations. Of course Westerners are not usually content with mutually equal relations. They want to bully us and impose their political ideas on us. If their hands were free, they would make greater use of economic relations, especially the Americans.

Concerning France, I must say that our relations with France were very dark. They were practically collaborating with Iraq in the war. There still has not been much progress. France has been a center for the counterrevolution and terrorists assembled and operated there in the name of political asylum. This is a violation of France's own relations, and there has been improvement recently. It is still early in the process, however, and we have not made much progress. Concerning America I must also say that in the past America did very bad things in our country. Before the revolution it was responsible for many of the former regime's crimes, and after the revolution, instead of apologizing and making amends, after sensing that imperialism was no longer influential in Iran, you saw that they took the shah and gave him asylum in America. They were planning to intensify his efforts, we reacted strongly, and they came forward and cut their relations with us. They impounded our assets there and plotted extensively against us. We believe that America also has a hand in the war and that countries such as Egypt, Saudi Arabia and Kuwait, which are virtually American agents in the area, are helping Baghdad in this war. We have said again that if America will stop its mischief and carry on proper relations as a wise country in the world (and this must be proven, because we are now suspicious of America, but if it is proven that America is really no longer interested in mischief) we can then have relations with America. With the mischief it is causing, it seems unlikely that such a day will come soon.

Ending the War

Another correspondent asked the Imam's representative on the Supreme Defense Council about ending Iraq's imposed war against our country through negotiations. He answered: We have made negotiations contingent upon the acknowledgement that Iraq was the aggressor and is responsible for the war. Negotiations must be based on the question of what punishment is to be given to the aggressor. We will not accept negotiations on anything but the aggressor's punishment, and the condition for all of this is the acknowledgement that Iraq was the aggressor and started the war.

At the conclusion of the press conference, a correspondent said to Mr Hashemi: In his talk yesterday (the day before yesterday) the Imam of the Nation called for unity among all the people with responsibility in the country and stressed that any kind of conflict must be set aside so that the government can serve the people. This emphasis makes us think that there may be a power struggle going on among you people. He said: Of course here, as everywhere else, there are differences of opinion on the country's issues, especially now when there are two relatively

powerful wings in our country. They have differences of opinion on administrative procedure and the roles of the government and the private sector in affairs. The controversy over these two schools of thought is going on both in the government and in the Majlis, among the clergy and the seminary students, as well as in the universities and in society at large. These ideas are always at odds in the formation of the government, the appointment of ministers, and in the matter of responsibilities. They may actually be two parties without names. If these two schools of thought existed in the West, they would become two political parties. These two schools of thought even exist within the Islamic republican party, where there are two factions. Therefore the Imam has advised in this regard that these two schools of thought not be so critical as to weaken one another. He has advised that conflicts should not reach the point of weakening the nation's unity. Of course this anxiety is in a country with a democracy. In Majlis elections and referenda, any minority which obtains a majority vote can hold office and satisfy and apply its own thinking.

Syrian-Iraqi Relations

According to this report, an Italian correspondent asked Mr Hashemi Rafsanjani: Why do Syria and Iraq have political relations in many areas, despite denials that there are Syrian-Iraqi relations by the Minister of the Revolutionary Guards? He answered: Efforts are now being made by America and its agents in the area, that is Jordan, to improve relations between Syria and Iraq. Naturally relations between Syria and America will also change, because in that case America will be content with Syria, since any process today that goes against us in any way is approved by America. This is a step in America's direction.

He added: It is a very remote possibility, however. The differences between Syria and Baghdad are very serious and we think it unlikely that they will be able to solve their problems. Moreover, the policies of Mr Hafez Asad and Syria are revolutionary policies of independence. It is very difficult now to bring Iraq and Syria together. One side is revolutionary, the other side is entirely dependent. One is a serious supporter of Palestine, the other is aligned with Camp David, and it is unlikely that they will be able to collaborate.

9310

CSO: 4640/390

GROUND FORCES COMMANDER DISCUSSES 'FINAL FATE' OF WAR

Tehran ETTELA'AT in Persian 14 Jun 86 p 14

[Text] Tehran—ISLAMIC REPUBLIC NEWS AGENCY—Ground forces commander Colonel Sayad Shirazi emphasized to a gathering at the Tehran Mehdieh that it is necessary to prepare all combative and popular forces for future war plans. He said: Under present circumstances we cannot content ourselves with limited military operations. We must, with the help of God, determine the final fate of the war in the shortest time possible through extensive operations.

The ground forces commander, who spoke prior to the komayl prayer at the Tehran Mehdieh, called the present war situation very sensitive. He added: Under these conditions, when the enemy has been hit by us and when we can very easily overcome their collapsing forces, we must prepare to continue the battle as quickly as possible, so that God willing we will be able to deliver the final blow with the help of divine victories.

He added: Time is now very important for us, and all this emphasis on the maximum possible presence of popular forces at the fronts is so that we will not lose the appropriate time for operations.

Addressing himself to the people of Tehran, he said: What is taking us to victory today is not modern weapons, although we have enough of the appropriate weapons at our disposal. However it is the presence of you, the martyr-nurturing nation, at the fronts that can determine the fate of the war. In implementing the orders of the Imam of the Nation, do not show the slightest weakness and help us. We commanders of the armed forces have resolved to be a "single hand" in order to deliver the Islamic homeland from the evil of the enemy's aggression.

Acting as God's representatives, we have made a pact that through the grace of the blood of our martyrs these "Bound for Karbala" caravans which are being sent to the fields of battle every day will give prayers of thanks in Karbala.

The ground forces commander mentioned the onset of the imposed war as the last assault by enemies to defeat the Islamic revolution. He added: At the beginning of the enemy's aggression we had no formal defensive power, while the aggressors came into our country fully organized and equipped. However, the battle fronts became a place for the saplings of the revolution to blossom. The forces of the Islamic revolutionary guards and the komitehs established their basic forms, and while we had no expectation of it at all, the municipal sheriff's departments and gendarmerie forces, whose only duties were law enforcement, entered the battle.

Here, where we have seen the merging of committed and specialist forces among the armed forces, we have seen the evolutionary growth of specialist forces to commitment and committed forces to specialization. We would have needed years of planning to gain this knowledge and growth under non-wartime conditions, but the war solved all of these problems for us. We were able to tangibly experience practical relations between the army and the people, which previously we had seen only in demonstrations and special ceremonies.

Colonel Sayad Shirazi discussed the conditions at the beginning of the imposed war. He said: When pollution and contamination still remained in our government, some people, abusing the kindness of our nation, wanted to establish a base for the superpowers in our country. With the help of God, however, the nation awakened, and our ever-alert Imam gave the last word and purged the government. You immediately saw how God manifested his victory to us and the siege of Abadan was broken. Following this victory the army, the revolutionary guard, and all the Islamic combatants recognized themselves and strengthened their iron ranks. From then on the classic criteria for war were unable to prevent the continued struggle of the combatants of Islam. Following that was the battle of Tariq ol-Qods and the destruction of the enemy's forces at Tang-e Jazabeh. Then came the battle of Fath ol-Mobin, which showed the evolved unity of the forces of Islam and the enemy's wretchedness, and all of those enemy combat resources fell into our hands.

When we went into operation at Bayt ol-Moqaddas using the enemy's tanks captured at Fath ol-Mobin, the enemy painted the barrels on its tanks, fearing its personnel would mistake our captured tanks for their own, but when the combatants of Islam made their astonishing advance along the Ahvaz-Khorramshahr road and shattered the enemy lines, these same painted enemy tanks were put to use by our forces and turned on them.

With this defeat the Ba'thist government of Iraq was badly shaken, so that the enemy announced: Our mission is completed; our forces will withdraw to the borders. The enemy knew what would come of continued occupation of our soil. After that our combatants knew that it would be their duty not to relent for a moment until the fall of 'Aflaqist Saddam.

The ground forces commander then described the continued course of the war. He added: We have had many ups and downs in this period, and sometimes we have come to stagnation and standstill. One of the pitfalls at the fronts is our considering the enemy weak and failing to do the necessary preliminary preparations. We could not forget our duty, however. The enemy had established heavy positions at all the fronts and had announced in all the world media that the war was at a standstill. World experts affirmed this analysis. This was the conclusion that the enemy had reached, and based on that he wanted to impose peace on us. The basic difference, however, between the policy of the Islamic republic and the satanic policies in the world is that we say what is true and act on it. Referring to Operation Va ol-Fajr 8, the commander of the ground forces said: The victory at Faw showed that our nation is determined to continue the fight, and secondly that the deadlock the enemy had created was broken. With this disastrous defeat, the enemy would have to recalculate, and Saddam's supporters would have to reconsider their policies.

After this victory we saw the enemy trying a new plot. They thought we had forgotten 1,400 kilometers of front. They therefore attacked our forces at various areas where our lines seemed to be weak, such as Va ol-Fajr 4, Darbandikhan, 'Ayn-e Khosh, Fakih, and Haj 'Omran. The enemy tried to imitate our limited operation prior to Operation Va ol-Fajr 8, whose purpose had been to destroy forces, and to find a new tactic. They even called it the 'new strategy'. In doing this, the enemy was trying to discredit the Islamic republic and raise the morale of its personnel. On the other hand, they wanted to weaken the concentration of our forces at sensitive points in order to retake Faw, their primary objective, as a result. The enemy won the first two or three

battles. This was the basis for another evil plot, in which they said here and there that the places that the revolutionary guard had liberated had been lost by the army. At the same time it was clear that in some places we had fewer revolutionary guards and fewer army personnel in others. It was so difficult for us to leave the fronts and go behind the lines to explain these matters. This plot had to be stopped or we would suffer from it. Praise God, our people search for the truth, and they know that the armed organizations are from the Islamic revolutionary armies, and each of these organizations has its place.

Praise God, the enemy's new plot was thwarted with the formation of forces and by our reaction.

Heavy blows were dealt to the enemy at Mehran, and he suffered heavy casualties at Haj 'Omran, Fakeh, Zabidan, and Sharhani. There are only a few heights that are temporarily in enemy hands, and we will not be diverted from our basic direction. The enemy was thus stopped and this plot completely ended. The enemy has not discharged his soldiers for seven years. He is not like us, with a great divine reserve to utilize, and he cannot be strengthened constantly by the nation as we are. We must be vigilant, however, and we know that if we are not careful this plot could spread.

Colonel Sayad Shirazi then discussed the international effects of Operation Va ol-Fajr 8. He said: Following the triumph of our combatants at Va ol-Fajr 8, the effects of making the foreign policies of some countries regional ones became clear.

The French government is gradually beginning to put its promises into practice. The hypocrites, having been driven out of France, are today with their master 'Aflaqist Saddam in order, as they suppose, to carry out new plots. We hope, however, that they will be uprooted on the battlefield based on these same plots.

In conclusion, the ground forces commander described the morale of the combatants of Islam, making mention of the Imam of the Nation's comments on the day of the Feast of the Sacrifice. He said: His Holiness the Imam compared his own personal reputation, which he has committed to a lifetime of struggle with idolaters and self-serving people, to the movement in several days by the combatants of Islam. In this comparison he put us combatants to shame. This is a strong reminder for us. When the Imam evaluates the personality of the combatants in this way, we appreciate the magnitude of our duty, and we must all realize that we have been given an ultimatum.

Therefore, the precious duty the Imam has stated is a heavy burden for all of us. God willing, with the extensive presence of you of the martyr-nurturing nation at the fronts, and through the strengthening of the unity and brotherhood of all forces, we will soon see a divine victory and the final conquest.

9310
CSO: 4640/389

ARTICLE EXAMINES STATUS OF OPPOSITION GROUPS OPERATING ABROAD

Islamabad THE MUSLIM in English 11 Jul 86 p 5

[Article by Hazhir Teimourian]

[Text] The expulsion from France of Massud Rajavi, leader of Iran's left-wing People's Mojahedin guerillas, is probably a lethal blow to the movement and further strengthens the government in Tehran.

Rajavi first attracted attention to post-revolutionary Iran's opposition movement five years ago when he and the newly-dismissed President, Abol-Hassan Bani-Sadr commandeered an airforce cargo plane and flew it to Paris. They received refuge there on condition that they did not engage in political activity in France.

Before this break with Ayatollah Khomeini, the Mojahedin had played an important part in bringing him to power. In the crucial days of February 1979, they spearheaded crowds of youths in Tehran and the provinces to disarm police stations and attack army barracks.

They set up headquarters in government buildings and instructed countless young people in a romantic mixture of Islamic and left-wing ideologies.

In the short lifetime of the Islamic Republic's Provisional Government under the moderate Mehdi Bazargan, they agitated for more radical measures and harsher sentences for officials and officers of the Shah's regime.

But as the Ayatollah veered towards the advice of the more traditional clergy and away from the young radicals, the Mojahedin and other guerilla organisations such as the Marxist Fedayin began to show signs of rebellion.

They refused to hand over the arms seized during the revolution.

In the crackdown, the government executed at least 12,000 radicals, forcing many more to seek refuge abroad.

The Mojahedin assassinated hundreds of the new regime's officials. Though they never claimed responsibility, the Mojahedin are believed to have carried out bombings in Tehran in 1981 that killed Ayatollah Mohammad

Beheshti, the regime's Number Two after Khomeini, President Mohammad-Ali Rajai, Prime Minister Javad Bahonar, and 70 MPs and top-ranking figures.

Rajavi and thousands of young followers set up headquarters in the Parisian suburb of Auvers-sur-Oise. They were joined in a National Council of Resistance by Bani-Sadr and Dr Abdorrahman Qassemlou, leader of Iran's Kurdish insurgency.

Friction

The pressures of exile combined with the inexperience of youth to create friction between the Mojahedin and their left-leaning allies. In 1983, Bani-Sadr, whose daughter had married Rajavi, left the Council in protest against the Mojahedin's growing links with Iraq. He was followed by Dr Qassemlou, who accused Rajavi of authoritarian tendencies.

Further bad publicity and some internal dissent came when Rajavi married for the third time, to the newly-divorced wife of a colleague so that, it was said, she could become joint leader with him of the organisation.

The Mojahedin termed the marriage an ideological revolution that represented a major advance for Iranian women, but stressed that leaders of different sexes within an Islamic organisation could not work together unless married to each other.

Methods were beginning to irritate the French. The new right-wing government under Jaques Chirac decided to curb their activities so severely that they would have no alternative but to leave the country.

The French deny that they have expelled the Mojahedin, but represent the event to the Iranian Government as a major concession in order to gain its cooperation in the release of nine French citizens held hostage in Lebanon by pro-Iranian Shi'ite groups.

They now say they are trying to set up bases in the regions of Iraq bordering Iran, so that they can harass Iran's forces. Probably they will never again be looked on as a credible part of the opposition to Ayatollah Khomeini.

Other Iranian organisations seeking the downfall of the Islamic Republic have dwindled. Only two can claim any popular support in Iran today--Dr Qassemlou's Democratic Party of Iranian Kurdistan (KDPI) and Dr Bakhtiar's National Movement of the Iranian Resistance (NAMIR).

The KDPI is the only resistance group with a sizeable armed presence on Iranian soil. Dr Qassemlou, a former lecturer of economic planning at the University of Sorbonne in Paris, claims that he retains 10,000 full-time armed guerillas in the mountains of Kurdistan, in western Iran along the borders with Turkey and Iraq.

He concedes that he no longer controls the cities of Iranian Kurdistan and that his movement is regional, with no ambitions of marching on Tehran on its own.

Dr Bakhtiar, deputy leader of the National Front social-democratic opposition to the Shah before he was asked by the monarch to form a government 37 days before the revolution makes no claims to have organised armed units in Iran.

Claims

His claims to leadership stem from his former position as prime minister and he has hoped to benefit from his strong popularity among the officer corps of the regular army and air force. But several coup attempts by his military supporters have failed. Demonstrations in Tehran in his support have been suppressed.

A further opponent of the Ayatollah is the young Prince Reza Pahlavi, the former Crown Prince of Iran who now lives in the U.S. His followers seem divided. He says he would support a constitutional monarchy, with the prime minister, presumably Dr Bakhtiar, exercising power.

Despite the intense weariness with the regime of Ayatollah Khomeini that has come over many Iranians in recent years, the government is well entrenched. It retains the support of enough Islamic zealots, mainly from the rural areas, to keep it in power and continue its war with Iraq.

/9317
CSO: 4600/436

PLANS FOR SELF-SUFFICIENCY, 'INTERNAL PRODUCTION'

London MEED/THE MIDDLE EAST'S BUSINESS WEEKLY in English 19 Jul 96 pp 4-5

[Article by Vahe Petrossian]

[Text]

THE government has announced an ambitious plan to transform the economy, in an effort to cope with falling oil revenues, and economic disruption. The plan calls for severe cutbacks and structural changes in imports, and for new investment to create the basis for self-sufficiency.

Trying to turn adversity to advantage, the government is heralding the crisis as an opportunity to achieve a self-sufficient economy." What is needed, Prime Minister Hossain Moussavi said after a prolonged cabinet review of the economy, is to make the country "dependent on its internal forces, domestic cultivation and internal production."

The economic review was forced by a drop in projected oil revenues for 1986/87 to about \$10,000 million — and perhaps lower — from \$18,500 million. Tight new restrictions on the issue of letters of credit (LCs) have produced shortages of essential raw materials for local industries, rising levels of unemployment and a 15 per cent drop in the value of the rial, to roughly \$1 = IR 800.

Residents of Tehran and other cities report shortages of goods such as tea, meat and medicines. It is not clear to what extent the shortages are real, and how far hoarders are trying to take advantage of the situation. Hundreds of hoarders and profiteers have been arrested in recent weeks, and the government has issued repeated reassurances to the public that there are adequate stocks of food and other essential items.

In a special address to the nation in late June, Moussavi spoke of public anxiety being aroused by "incorrect information about the economic situation." He accused some right-wing politicians and newspapers of painting a "false and untrue" picture of the economy by exaggerating unemployment figures and underestimating government revenues.

The implication was that the government was incompetent, and that private enterprise should be allowed to control the economy. The government's critics had even gone so far as to leak a distorted version of a secret Plan & Budget Ministry document — not something the authorities expected from their "sincere" critics in wartime.

Blessing in disguise

There is no doubt that reduced oil revenues have created serious financial problems for the government. The question is how it intends to tackle the crisis, in a year in which senior religious, political and military leaders have emphasised that the Gulf war must be brought to a successful conclusion.

The government's revised plans for the year are being presented as part of a five-point guideline intended to prove that the drop in oil income is a blessing in disguise. Not only will reduced revenues fail to undermine the economy, Moussavi says, but they will also "introduce new orientations" that will strengthen it.

The war effort occupies first place in the official guidelines. The general mobilisation ordered earlier in 1986 by Imam Khomeini is to continue. Civil servants will still be required to do stints behind the front lines — but not, as Ayatollah Hossain Ali Montazeri warned recently, if their absence is going to disrupt the bureaucracy.

A Supreme Council of War Support has been set up to co-ordinate mobilisation and training. Officials say the response from volunteers has been so great that plans to call up those under the age of 18 this year have been scrapped. In late June, Moussavi issued a circular to government departments, nationalised banks and industries, and other affiliated organisations asking them to place their staff and resources at the disposal of the Islamic Revolutionary Guard Corps (IRGC) on request from the IRGC commander.

The other elements of the new principles guiding economic policy emphasise support for agriculture, irrigation and natural resources, the continuation of large-scale industrial projects, import cutbacks — especially of luxury goods — the supply of essentials, and the maintenance of subsidies and price controls. In March, all government departments were asked to effect economies in their development and commercial budgets designed to save a projected IR 620,000 million.

Ambitious plans

Plans for agriculture appear to be the most ambitious: Moussavi talks of a huge undertaking to create self-sufficiency in farm produce within five years. The majlis is being informed of the plan, drawn up with the help of the agriculture and construction crusade ministries, and an inaugural ceremony will be held in the month of Shahrivar, starting 21 August.

No details of the plan are available. Earlier in July, the Commerce Ministry predicted production increases this year of 20 per cent for wheat, 10 per cent for sugar and tea, and 8 per cent for rice. Annual wheat imports have fallen to 2.5 million tons, from 3.5 million tons, in the past three years, the ministry says — and exports may start in the early 1990s.

Much of the new investment in agriculture — interest-free government credits to farmers have been set at IR 170,000 million for 1986/87 — will go to Azarbaijan and Khuzestan provinces. There are also plans, drawn up with the help of Japanese consultants, to improve rice cultivation techniques along the Caspian Sea coast.

The government's stated next priority is to ensure the supply and distribution of essential commodities, at the same time keeping inflation under control. Both imported and locally produced goods considered essential will be provided through the coupon rationing system in force since the start of the Gulf war in September 1980.

The government and majlis agree that important new industrial schemes should go ahead "at any cost and under whatever circumstances." These include steel, natural gas and copper projects, some power stations and war-related industries (see box). Priority will be given according to the extent of their contribution to industrial self-sufficiency, Moussavi says.

Import boycott

The final policy guideline announced by the government calls for a shift in consumption patterns away from luxury products, greater use of locally produced goods and further encouragement of export-oriented industries.

Moussavi revealed that a headquarters has been set up to decide which products — including clothes, food and medicines — should continue to be imported, and how to improve local substitutes. Imports will be reduced to the bare minimum and new investment channelled into the appropriate local industries. Montazeri has appealed to people to boycott imported goods.

Underlying the new guidelines is an ambition to reduce dependence on oil income by increasing non-oil exports. In 1985, non-oil sales started picking up — officially reaching the \$500 million level in 1985/86. This year, they look like exceeding that level by a comfortable margin; the Commerce Ministry says exports in the month ending 20 May totalled \$67 million, up by 73.5 per cent from the corresponding month of 1985. Officials are optimistically talking of non-oil export earnings approaching \$1,500 million in 1987/88.

Self-sufficiency, reduced dependence on oil exports and the need to change public consumption habits have been constant themes since the 1979 revolution. However, accomplishments have been far from spectacular. Part of the reason lies in the diversion of resources into the war effort. But a more fundamental failing — some critics say — is the government's own lack of commitment and vision.

Industry: the priority schemes

Steel

- construction of the \$4,700 million Mobarakeh mill by local companies, Italy's Italmianti and Japan's Kobe Steel. The mill, being built near Isfahan, is for completion in 1989. Most of the work done to date has been on infrastructure and on building nearly 6,000 residential units for workers
- expansion of the Soviet-built Isfahan mill
- completion of the 400,000-ton-a-year third unit at the Ahwaz complex. Equipment has been supplied by West Germany's Korf Engineering. Downstream operations are also being expanded

Gas and oil

- development of gas fields in the south and southeast. This includes a \$1,000 million gas-gathering complex at Nar-Kangan
- probable completion of an oil export pipeline from the main Gurreh pumping station to Kangan or beyond. International tenders were recently cancelled, but the Construction Crusade Ministry is thought to be working on the scheme with local firms

Power

- completion of the 2,000-MW Shahid Rajai station, near Qazvin. Equipment is coming from Japan's Ishikawajima-Harima Heavy Industries (IHI). Infrastructure work is now being completed
- completion of the 774-MW Tabriz plant by France's Alsthom-Atlantique
- construction of two 1,000-MW plants in Fars and Hamadan. Some contracts were recently awarded to West Germany's Brown, Boveri & Compagnie and Japan's Mitsubishi Heavy Industries (MHI)
- completion of Italian and Soviet-built plants in Band-e Abbas and Isfahan

Copper

- expansion of downstream operations at the \$1,400 million Sarcheshmeh copper complex. This includes one big plant, for completion in 1988.

Financial pressures in the 12 months after the start of the war prompted moves towards self-sufficiency. But when oil revenues started rising in 1982, officials appeared happy to take the easy way out by increasing imports to record levels — more than \$20,000 million in 1983. The opportunity to use war pressures to mobilise people and resources for a radical restructuring of the economy was missed. There is now a suspicion that, if oil revenues suddenly pick up, the government will quickly forget most of its good intentions.

Poor prospects

This year's attempts to reshape the economy come at a time when early prospects for improved oil revenues are poorer than they were in 1981. Officials seem to have accepted that — barring developments in the Gulf war — there will be no significant change in the oil market for some time. In addition, Imam Khomeini has put his prestige behind a drive to use the recent military victories to mobilise the population — not only for military purposes but also as part of a hoped-for social and political regeneration. For example, the requirement for civil servants to go to the front is intended to "spread the culture of struggle from the fronts to government offices."

Having waited so long to carry out fundamental reforms, the government and the religious authorities who have been called on to lend their assistance face an uphill struggle. One thing is certain — this is going to be a tough year for Iran.

DEVELOPMENT PROJECTS NEGOTIATED WITH OTHER COUNTRIES

London MEED/ THE MIDDLE EAST'S BUSINESS WEEKLY in English 19 Jul 86 pp 11, 14

[Text]

The government has rejected a French proposal to repay a \$1,000 million loan in the form of French-made goods. Reports that French weapons supplies were included in recent discussions between the two countries have been denied by the Iranian side.

Iran wants repayment of the loan, made by the late Shah's regime in the mid-1970s, in cash, according to the chief Iranian negotiator, deputy economy and finance minister Mehdi Navab. It could not agree to France's offer of goods in settlement.

France froze the \$1,000 million — in the form of a deposit with Banque de France (central bank) — in late 1979, following Iran's announcement that it intended to withdraw from the European uranium enrichment scheme, *Eurodif*.

Negotiations, halted after a deterioration in diplomatic relations in late 1983, were resumed in early 1986 amid hopes of a quick settlement (MEED 28:6 86).

Nabavi said in mid-July he was pessimistic that the dispute would be resolved in the near future.

● A protocol has been signed with Turkey to study the feasibility of building a \$4,000 million oil pipeline between the two countries. The agreement will be finalised when Turkey's Minister of State Mustafa Tinaz Tiliz visits Tehran from 20 July.

● Argentina's *Cooperativa de la Industria Forestal* is to supply 500,000 railway sleepers valued at about \$11 million. More orders are expected, says co-operative president Alberto Atilio Julian.

● The US-Iran claims tribunal at The Hague has approved more than \$546 million in payments to the US and Iran from an escrow fund set up by Iran as part of the January 1981 hostage agreement. Iranian entities received nearly \$21 million, the balance has gone to American firms and individuals. Most of the awards — totalling \$386 million — were made following settlements reached in negotiations outside the tribunal.

● Crude oil production averaged 2.2 million barrels a day (b/d) in June, according to an estimate from the New York Petroleum Intelligence Weekly. By mid-July, output may have risen to 2.3 million b/d, it adds. Averages for April and May were 2.1 million b/d — up from 1.8 million in March. Average output in the first five months of the year was 2 million b/d. About 700,000 b/d is usually held back for domestic use.

● Luxembourg-based *Cargolux Airlines International* has leased out two *Boeing* 747-100 passenger aircraft for flights from Mashad, Isfahan and Tehran to Jeddah, Saudi Arabia. The service will be used by people making the hajj (Islamic pilgrimage). Cargolux is making available about 30 crew and maintenance workers for two or three months. The company took the 505-seat aircraft on lease from the US *Citicorp*.

● The first, \$3 million stage of Javad al-Aemeah fishing port in Gavbandi, in Hormozgan province, was completed in late June, the state radio says. The scheme includes a 50-metre-wide, two-kilometre-long canal with two arms extending 175 metres into the sea. There is a concrete jetty for 1,000-ton vessels, two floating jetties for fishing vessels, and one jetty for exports of dried fruits and vegetables.

● Power stations' generating capacity rose by 944 MW, to 12,369 MW, in the year to 20 March, the Energy Ministry says.

- The cabinet has approved a \$5 million allocation for the construction of 312 kilometres of main rural roads and 122 kilometres of secondary roads in Kurdestan and West Azarbaijan provinces. At a late-June meeting it also approved about \$60 million for road construction in the Gulf war zone
- The new Sangan iron ore mine in Khatam Khorassan province, has sufficient reserves to supply the Isfahan steel mill for the next 200 years, officials say. Discovered by **National Steel Company**, the mine was made operational without foreign help, the officials add
- About 80 per cent of infrastructure work is complete on the \$1.600 million railway line between Batq and Bandar Abbas, says Roads & Transport Minister Mohammad Saeedi Kya. The line is being built by local and South Korean contractors
- The UK's **Peugeot-Talbot** plans in August to attend a further round of talks in Tehran about resuming supplies of car kits to the **Iran Khodro** plant. The company has shipped no kits since early 1986 when a barter payment arrangement was suspended (MEED 17/5/86)
- The Construction Crusade Ministry has completed a survey of 3.75 million hectares of pasture land. The study is part of a wide-ranging programme to use low-yield soil to dry-tarn grains and fodder
- A \$30 million dam and irrigation network southeast of Tehran opened in early July. The network, using water from the Habiieh river, will irrigate 22,000 hectares in the Garmesar and Varamin areas. The five-metre-high, 120-metre wide dam feeds 120 kilometres of concrete canals
- Iran's gas reserves will last 587 years at 1985 production rates, the Paris-based International Information Centre on Natural Gas (Cedigaz) says
- A senior Romanian team visited Tehran in mid-July to discuss possible power generation schemes including construction of a dam in Saveh
- Imam Khomeini has appointed two new members to the seven-member Supreme Defence Council, the Tehran daily *Abrar* says. They are commander of army ground forces Colonel Seyyed Shirazi and Islamic Revolutionary Guards Corps (IRGC) Minister Mohsen Rafiqdust. The other council members are the president, the prime minister, the defence minister, the chief of the army joint staff, the IRGC commander, and two representatives of Khomeini
- The majlis in mid-July elected three lawyers proposed by the Supreme Judicial Council to the 12-member Council of Constitutional Guardians. Imam Khomeini recently reappointed three members for a further six years (MEED 4/7/86). The council vets all legislation: six of its members are appointed by Khomeini and the rest through the majlis
- By elections are scheduled on 1 August for 10 vacant seats in the majlis. Thirteen candidates, three of them women, will run in Tehran
- Palestine Liberation Organisation (PLO) representative Salah Zawawi was summoned to the Foreign Affairs Ministry in early July to hear a "stiff" protest about the recent meeting in Baghdad between PLO Chairman Yasser Arafat and Massoud Rajavi, exiled leader of the Mojaheddin-e Khalq guerrilla organisation. Rajavi recently transferred his headquarters to Baghdad from Paris. Arafat had earlier met Rajavi in the French capital; he is referred to in Tehran as "the leader of the deviated and corrupt faction of the PLO"
- Reuter news agency correspondent Hugh Pope was expelled in mid-July for allegedly revealing military secrets in a report on an Iraqi air raid on the Assadabad satellite ground station. Pope went to the site, west of Tehran, three days after the attack. He reported that the raid had completely knocked out the station which provides Iran's main telecommunications link with the rest of the world. Telephone and telex links were cut off for several days but are now near normal. The Islamic Guidance Ministry, which handles the foreign press, said Pope had breached its rules by failing to obtain official authorisation for his visit. Reuter protested that the site was not in a restricted zone. Pope had been in Iran since August 1985
- The government has dissolved the board of directors of the medical disciplinary organisation and put former health minister Hadi Manafi in charge. The move follows a strike by doctors protesting against proposed legislation giving the government a greater say in appointing board members. The strikers have been referred to as "traitors and counter-revolutionaries," some are believed to have been arrested
- About 80 per cent of drugs brought into the country illegally come through the Sistan-Baluchistan province border with Pakistan, security organisations say

PERIODICAL COMMENTS ON NEGOTIATIONS WITH FRANCE

Nicosia MEMO/A MONTHLY REPORT OF ECONOMICS AND COMMERCE in English
26 Jun 86 pp 14-15

[Interview with Eurodif President Jean-Francois Petit by Randa Takieddine]

[Text] The 1974 loan promised by the Shah of Iran to Eurodif, the freeing of the French hostages in Lebanon, the Iranian rebel leader Rajavi's departure from Paris in early June, all are part of the intricate linkages being made in the on-going French-Iranian negotiations. Randa Takieddine reports on the negotiation process and talks to Eurodif President Jean-Francois Petit.

Two weeks after the late May visit of Iranian Vice-Prime Minister Ali Reza Moayeri to Paris, Mujahedeen leader Massud Rajavi decides to leave France "voluntarily". His destination: Baghdad, where he claims he would be "near his country to carry on the battle against the Khomeini regime".

The French media sees in this move the settlement of part of the French ransom for the return of their hostages in Lebanon. The hostages would be released when the process of settling the second part of the ransom — the Iranian debt to France and Eurodif — will be settled.

However, the situation is much more complicated than this, for there is a lobby within the Iranian regime which wants Iran to get out of its isolation and improve its image in the West.

The Iranian success in obtaining Rajavi's departure from France, said a journalist specialising in Iranian internal affairs, will give the moderate lobby in the Iranian regime an argument against hawks who used the presence of Iranian political exiles in France as an argument against opening up to the West.

Rajavi, the journalist added, is by no means a threat to the Iranian regime because his military force in Iran is far from being significant. The Rajavi issue should be viewed as a reflection of internal politics.

A week after Moayeri's visit, Iraqi Foreign Affairs Minister Tariq Aziz paid an official visit to Paris and stressed his satisfaction with the "continuous excellent relations

between both countries". He hinted that Iraq may purchase new military material from France and may increase oil supplies to France. He said Iraqi oil experts would visit France to discuss the matter.

Clearly, France is not shifting from its full support to Iraq whose debt to France is said to amount to FF 24 billion, a debt that the French have been rescheduling every year.

As for the Iranian-French debt controversy, at its centre is the 1974 FF 940 million (\$ 133 million) loan promised by the Shah of Iran to Eurodif, the European multinational enriched uranium producer.

Almost one third of the world's uranium enriching capacity is produced by Eurodif, a European corporation with French, Belgian, Italian and Spanish shareholders. In the field of uranium enrichment, Eurodif is said to be surpassed only by the US Department of Energy.

The corporation was created in 1974 by European partners only. Two years later, Iranian participation in Eurodif had been formalised following official French-Iranian contacts aimed at cooperation in the nuclear field.

Iranian participation in Eurodif was made through a Franco-Iranian company called Sofidif (Societe Franco-Iranienne) in which France's Cogema has a 60 percent stake and Iran a 40 percent stake. Since Sofidif owns 25 percent of Eurodif shares, Iranian participation in the European concern amounts to around 10 percent.

In the mid-'70s, the Iranians had a very ambitious nuclear programme and were talking of building up to 23 nuclear reactors. They had already started to build their first four nuclear plants, two of them with the help of France's Framatome. However, after the 1979 Islamic revolution, Iran's new regime halted the nuclear programme putting into question Iranian participation in Eurodif.

Eurodif President Jean-Francois Petit briefed Memo on the intricacies of one of the issues that continues to plague Iranian-French relations.

Eurodif President Jean-Francois Petit

Can you outline the existing financial problem between Iran and France?

The Iranian participation in Eurodif was similar to that of all the European shareholders — French, Belgian, Italians — in that a corporation was established with a capital of FF 1 billion only. We asked for FF 2 billion advance payment from our shareholders. We had to resort to loans from the market to be able to reach a financing need of some FF 23 billion.

We had a loan contract from the government of Iran of FF 940 million directly to Eurodif over 15 years until 1992.

When Iran and France agreed to cooperate in the nuclear field, it was also agreed that Iran would lend France

(represented by the Commissariat d'Energie Atomique (CEA)) \$1 billion. It was meant to facilitate Iran's involvement with France in the nuclear field. The loan conditions were a little bit better than the market ones.

Has France paid anything on the interests due for all these loans?

They had started to be paid in '77, '78, '79 when interests were to be paid. But since '79, nothing has been paid.

Prime Minister Chirac mentioned that Iran also has a debt to France, is it the debt to Eurodif?

There are many debts. Since '79, we have a problem with Iran because it has not fulfilled its obligations towards Eurodif. We ask for compensation from Iran, this is part of what Prime Minister Chirac calls Iranian debts to France.

But there are many other French companies that had to abandon their work without being paid damages. Some of them were ensured by Coface and were not paid.

What is the exact amount Iran owes France?

Iran has not honoured commercial contracts, contracts bearing on the purchase of enriched uranium. The only figure I can give you is the amount of these contracts when Iran announced that it was giving up the nuclear option which meant they were giving up any enrichment supplies.

The value of the contracts we had with them represents some FF 9 billion. The value of the indemnisation will have to be determined either through amicable negotiation (which is what we wish) or through arbitration by a tribunal that was formed to examine this issue.

Are French-Iranian negotiations progressing?

Iran and France both consider that the problem between Iran and Eurodif and the one France has with Iran (the \$1 billion loan to the CEA) are linked. The solution would therefore also certainly be linked.

I think we have achieved some progress in the last few months, I can perceive on both sides a political will to reach a solution.

But is France's debt to Iran higher than what Iran owes Eurodif?

I am not qualified to answer such a question. Eurodif has no debt towards Iran, we do not owe them FF 940 million. Iran made a direct loan to Eurodif which it has only partially honoured. It has paid only FF 350 million of the FF 940 million promised.

Therefore, what we at Eurodif feel we owe Iran is nothing in comparison to what we consider Iran owes us.

So how do you link the \$1 billion loan to the CEA to the issue of Eurodif-Iran?

It is because the loan of \$1 billion had been granted in view of a cooperation in which the first condition was spelled out: the participation of Iran to Eurodif.

When you say there is some progress in negotiations between Iran and Eurodif, does it mean the Iranians are going to pay and France will settle the debt?

The most substantial progress results from a political will to normalise relations between France and Iran as expressed by Mr. Chirac. There have been many French-Iranian meetings, the last meeting was last week and I was part of the delegation that went to Tehran. I consider there is progress towards normalisation. I met personally with Mr. Amrollahi, president of the AOI (the Iranian organisation of atomic energy). We had very fruitful and open conversations with Mr. Amrollahi.

I feel now that Iran has been reconsidering and questioning for some time the decision to suppress nuclear development. I think they now intend to build some reactors or at least to complete those which were started. This is not really certain but it is the conclusion I drew from my conversations with Mr. Amrollahi.

I do not think this decision would be irrational, oil in Iran is being exported. Iran is a big country with substantial needs for electricity. To cover part of these needs with nuclear energy seems a reasonable option to me.

Iranian shareholders in Eurodif have not interrupted their participation in the board meetings of Eurodif since the beginning of the crisis.

Is an agreement between you and Iran probable in the short term or the long term?

I can only tell you about the starting point of our discussions and can say that we have made very substantial progress in terms of establishing a starting point for discussions aimed at finding a solution. It is difficult to forecast whether the most difficult points will take a long time to settle or, on the contrary, whether the political will of both parties will help us reach a solution rapidly.

Frankly when I look at the figures, I see that France owes a much bigger amount of money to Iran, so is it not up to France to activate the process?

It is much more complex than you think. It is not France's fault if the commercial contracts with Iran were abruptly interrupted, in particular ours. The \$1 billion loan is definitely there, nobody questions this in France. There are some other business issues that were not carried out to their end and could represent a significant amount of money.

But was there a decision, when you visited Iran, from the Iranians to resume cooperation in the nuclear field with you or not yet?

Not yet, I think this would be the end of the process we are engaged in currently. But as I said it is in substantial progress.

Does this issue harm Eurodif?

Naturally, it is a big bother to the functioning of the company. It has been deprived of significant resources. We had to face difficult financial problems at a time when interest rates were very high so it has been a considerable hindrance.

/9317
CSO: 4600/442

JUNEJO VISIT TO WASHINGTON OF 'SPECIAL SIGNIFICANCE'

Prime Minister's Speech

BK171006 Karachi Domestic Service in English 1700 GMT 16 Jul 86

[Excerpts] The prime minister, Mr Mohammad Khan Junejo, who was given a ceremonial welcome at the White House in Washington today, later began talks with President Reagan. Earlier, welcoming the prime minister on the lawns of the White House, President Reagan expressed great pleasure at extending warm and heartfelt welcome to Mr Mohammad Khan Junejo on his first visit to America.

Reciprocating the sentiments, the prime minister, Mr Mohammad Khan Junejo, thanked the American president and the people for the gracious sentiments and the warm reception accorded to him and the members of his entourage on their arrival. He said it is a manifestation, no doubt, of the friendly regard in which the United States holds Pakistan. The people of Pakistan fully reciprocate these sentiments. He said he has brought to the American people cordial greetings and best wishes from the people of Pakistan.

He said, viewing personally, this visit is an occasion of special significance, for he had come to the United States as the elected representative of the people of Pakistan. He said we in Pakistan have always cherished democratic values. These are an essential part of our Islamic belief. Even when we have faced difficult circumstances, our faith in democracy has never wavered. The general elections held in Pakistan last year demonstrated our commitment to the democratic process. My government has since restored the constitution along with all the fundamental rights. He said he was sure that all the friends of Pakistan are gratified that transition from martial law to constitutional rule has been accomplished in peace and stability.

Pakistan, he said, always entertained profound respect for the United States--a great nation conceived in liberty; the land of Washington, Lincoln, Roosevelt, and Eisenhower. The Americans have inspired generations the world over. The purpose of his visit, he said, was to look and learn. He said he would be able to inform the American people of their hopes and inspirations and share with them their concern in the basic problems that confront us. The United States has a tradition of cooperation and support to foreign countries in their programs for economic development.

Mr Junejo said under Mr Reagan's leadership, the United States has renewed its commitment to the efforts of peace and security in our region. He said the U.S. economic assistance has been most valuable for Pakistan's progress. The American political and moral support has been invaluable in our struggle to safeguard principles indispensable for the maintenance of freedom and independence in our region.

The prime minister said he looked forward to the opportunity of exchanging views with the leaders of long experience. He was confident that these talks would serve to deepen their mutual understanding and further promote cooperation between the two countries. He said he also looks forward to stimulating exchanges and meetings with the respective leaders in the U.S. administration and with the honorable members of congress. He said the members of Pakistan Parliament and members of his entourage looked forward keenly to meeting the American people in different walks of life.

Talks with Reagan

BK170535 Karachi Domestic Service in Urdu 0200 GMT 17 Jul 86

[Text] Prime Minister Mohammad Khan Junejo has had detailed talks with President Reagan at the White House in Washington on various issues, including bilateral relations and the issue of Pakistan's security in the context of developments in Afghanistan. The two leaders met alone for 20 minutes without aides and reviewed the regional situation. They expressed their commitments to peace, freedom, and economic development and expressed their determination to continue to maintain cooperative and excellent bilateral relations.

President Reagan made specific reference to Pakistan's economic achievements and appreciated its growth rate of 6 percent. He commended Pakistan for the way it was facing the difficult security situation and looking after 3 million Afghan refugees. He praised the courage and fortitude demonstrated by the Pakistani people in bravely facing the pressure being exerted on them through frequent air and ground attacks from Afghanistan. President Reagan also commended the valor of the Afghan people in their struggle for national liberation and reiterated America's firm support for the withdrawal of Soviet troops from Afghanistan within a reasonable time frame and for the Afghan people's right of self-determination. He expressed appreciation for the Afghan people's courage in facing atrocities perpetrated against them. The two leaders were then joined by their senior aides in the talks. The U.S. side at the talks included Secretary of State George Shultz, Defense Secretary Weinberger, Treasury Secretary Baker, Chief of Staff Donald Regan, and Adviser for National Security Poindexter. The Pakistani delegation included ministers for foreign affairs, finance, and chief ministers of Punjab, and the Northwest Frontier Province. The talks were held in an extremely friendly and informal atmosphere. The two leaders made similar opening remarks at the plenary session.

Pakistan's Finance Minister Mohammad Yasin Khan Watto explained Pakistan's economic problems and said these problems are assuming serious proportions as a result of Pakistan's increasing security requirements and the presence of 3 million Afghan refugees.

The U.S. side reassured Pakistan of its continued support for its economic development and the Reagan Administration's commitment to fully support the \$4.02 billion U.S. aid package for Pakistan when it comes before the U.S. Congress.

About the narcotics problem, the prime minister pledged Pakistan's commitment to totally eradicate poppy cultivation on its soil and outlined the measures taken to help farmers of poppy cultivation areas in growing alternative crops. He explained steps being taken for strict enforcement of antinarcotics laws.

Mohammad Khan Junejo also reiterated Pakistan's commitment to peaceful use of nuclear energy. He said Pakistan has neither the desire nor the capability to manufacture nuclear weapons.

Referring to relations with India, the prime minister said Pakistan is keen to improve the condition of the people in this region and to promote normal relations with India in every possible manner. This is reflected by several meetings held between Pakistan and India during the past 1 year on matters relating to finance, trade, communications, and border problems, including the Siachen Glacier issue. The U.S. side appreciated these steps and expressed interest in the improvement of India-Pakistan relations. The U.S. administration reaffirmed its commitment to Pakistan's security.

The prime minister later had a luncheon meeting with Secretary of State George Shultz. He also visited the Arlington National Cemetery and placed a floral wreath on the Tomb of Unknown Soldiers. Radio Pakistan's correspondent says that the prime minister's other engagements included his participation in the official banquet hosted by the U.S. president and his meetings with important members of the administration.

Junejo 'Fully Satisfied'

BK191205 Karachi Domestic Service in English 1005 GMT 19 Jul 86

[Text] The prime minister, Mr Mohammad Khan Junejo, has said he is fully satisfied with his talks with American leaders. He said before his departure for Orlando, Florida, from Washington that his meetings with American leaders took place in a very warm and friendly atmosphere.

Earlier in Washington, the prime minister held meetings with World Bank president, Mr Barber Conable, and the U.S. treasury secretary, Mr Majes Baker. The prime minister also addressed Pakistanis in Washington at a reception hosted by the Pakistan Association of Greater Washington. Over 1,100 Pakistanis attended the reception, many of whom had traveled long distances to meet the prime minister and hear him. Radio Pakistan's representative reports from Washington that the organization has as its main objective the upholding of Pakistan's culture and values in that part of the world and promoting good will between the people of Pakistan and the United States.

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FORMER POLITICAL PRISONERS TELL 'TALES OF WOE' TO BHUTTO

Islamabad THE MUSLIM in English 11 Jul 86 p 8

[Article by Tariq Butt]

[Text]

RAWALPINDI, July, 10: Miss Benazir Bhutto announced on Thursday that Pakistan People's Party would shortly compile a document detailing instances of torture and atrocities perpetrated on the party workers during the long years of Martial Law.

Addressing a gathering of party workers who had suffered long detentions and the families of other detainees and convicts, she said the documents would be circulated throughout the country.

"Those who suffered for political dissent must be honoured and remembered by the workers because they are a source of inspiration and symbols of sacrifice", she said emphatically. "Such activists are a great asset of the party".

Ms. Benazir said "The masses wanted to know about the excesses and brutalities in the torture cells". She added, inspired by their courage and heroism, their comrades would again enter into a new battle with the 'usurper'.

"Today we are helpless; tomorrow they (rulers) will be helpless." She said the workers had suffered valiantly and had not capitulated.

Earlier, a grim-faced Ms. Benazir heard attentively for nearly two hours the tales of torture from a large number of party workers who had undergone various terms of imprisonment during the martial law period. She said the pangs of her own sufferings had been revived after listening to their stories of woes.

She exhorted the workers to forge unity in their ranks so that no usurper in future could torture them for their political convictions.

Ms Benazir said if we did not expose the atrocities, the rulers will again commit them.

About two dozen party workers, who remained behind bars in the Martial Law period narrated some painful and spine chilling tales of solitary confinements, physical beating and in some cases denial of decent meals in violation of detention regulations.

Many of those present were visibly moved as some of the narrators with their eyes brimming with tears told the Co-Chairperson how their near and dear ones were also subjected to humiliations for no fault of their own.

Most of the workers said they were tortured in the notorious Lahore Fort or the Lahore police stations. They named some police officials and army personnel who interrogated and intimidated them. Some of the narrators revealed how their spouses developed chronic ailments while they were being harassed by the law enforcing agencies but the authorities did not relent in their operations against them.

They were charged with organising processions and staging demonstrations when martial law was promulgated, or when the Lahore High Court sentenced the late Zulfikar Ali Bhutto to death, or when the Supreme Court upheld the verdict or when the late Prime Minister was hanged, or when the PIA plane was hijacked.

Some complained they were kept blind-folded in the dreaded dark cells. They recalled how

arms were planted on them and how they were coerced to confess that they were members of Al Zulfikar.

Some lost their eye sight or hearing during their detention. They were forced to pass many sleepless nights.

Babu Abdul Majid, 65 narrated how he was stripped naked and lashed mercilessly during his sixteen month solitary confinement in the Lahore Fort. The tearful Agha Riazul Islam former Rawalpindi Mayor, said his father, who was operated seven times for cancer, was once hustled off by the police when 'I was not available'.

Amna Piracha, a close friend of Miss Benazir, said her husband taken into custody by the police "when I was pregnant".

Rashid Mir recapitulated the helplessness of his wife and son, who suffered from chronic ailments during his detention for about 5 years at intervals. The three-footer Qazi Sultan, who remained in different jails for six years, said he was tortured in the Lahore Fort to confess he was sponsoring sabotage incidents.

Zahida Majid a woman activist from Jhelum said she was not allowed to see her relatives for six months. "My father, a government contractor, was black listed for my offences".

Miss Fauzia daughter of Col. (Retd) Habib said her family was being constantly harassed for the last nine years.

Others who told their tales were Gen. (Retd) Tikka Khan, Ahmad Wahid Akhtar, Malik Hakmeen, Jamil Abbasi, Rehana Malik, Nasrat Rashid, Chaudhry Rashid Hashmit Bibi, Ghulam Mustafa Syed Sarfraz, Ishfaq A Ahmad Qazi Syed Zafarul Haq, Shaukat Baig, Malik Qayyum Mohammad Yameen, Malik Altaf and Sulman Rizvi father of Kamran Rizvi.

A list provided to the news-men by the People's Party at the function put the number of political prisoners presently undergoing different terms at 72 in the Punjab jails alone.

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NOORANI SAID READY TO JOIN HANDS WITH BHUTTO

Islamabad THE MUSLIM in English 11 Jul 86 p 8

[Article by Kamran Khan]

[Text] KARACHI, July 10: The Chief of Jamiat Ulema-e-Pakistan (JUP), Maulana Shah Ahmed Noorani said today that he would not rule out the possibility of his joining hands with Miss Benazir Bhutto in her bid to overthrow Gen Ziaul Haq's Government through a popular movement.

In a detailed interview with this correspondent at his flat in the busy Saddar area of Karachi, he urged the National Assembly to impeach Gen Zia for speaking a "blatant lie" that PPP was getting aid from the Soviet Union, India and Libya. "If Gen. Zia has any proof to this effect, he should put it before the nation. He asked - "If American Christians can remove Richard Nixon from the presidency for lying before the nation, why can't the devoted Muslims of Pakistan ask their President to prove the authenticity of his statement?"

Maulana Noorani who had been in the forefront of the Pakistan National Alliance (PNA) movement which toppled Zulfikar Ali Bhutto's Government in 1977, said "in a bid to save Pakistan from adventurous generals we are ready to extend all support to Miss Benazir Bhutto and other democratic forces in the country". He said an opposition alliance of all political parties minus Jamaat-e-Islami is a must

to achieve an early end of Zia's Government.

When asked if an unveiled female can be accepted as the leader of the country, he replied, "Why not? The Maulana added: "The nation was united under Miss Fatima Jinnah when she fought against Field Marshal Ayub Khan. Islamic history has also many other examples". The JUP Chief said Ms Bhutto has not committed any sin which can block her way to cooperation with other religious parties of the country.

Commenting on the 'Black Day' observed by the PPP on July 5 Maulana Noorani said it was a good performance. Giving his opinion about PPP's solo effort to restore genuine democracy in the country, he said a single party can overthrow the present government but it will take a rather long time, "to achieve success in a short span of time, all opposition parties who boycotted the non-party polls should unite".

He charged that a particular sect in Pakistan was receiving large funds from Saudi Arabia and explained that a Saudi religious figure who visits Pakistan at least four times a year distributes these funds through Jamaat-e-Islami. He asked the Prime Minister to order an investigation into the foreign funding of religious institutions.

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RELEASE OF ALL POLITICAL PRISONERS DEMANDED

Islamabad THE MUSLIM in English 11 Jul 86 p 8

[Text]

LAHORE, July 10: Rasool Buksh Paleejo General Secretary of the Sindhi Awami Tehrik, has demanded the release of all political prisoners, and said their cases should be transferred to the superior courts for review. He was speaking at the Lahore Press Club 'Tajzia' programme, here on Thursday. He said the people of Pakistan had offered countless sacrifices to secure an end to Martial Law and the restoration of democracy, and it was because of the Pakistani peoples' struggle that the present Government had come into power. Mr. Paleejo said nobody should think the lifting of Martial Law, was a result of the generosity of any General. He criticised Gen. Ziaul Haq's threat to reimpose Martial Law. It is a tactic of suppression. Pakistan was not created for such threats to usurp the basic rights of the people, he added.

Mr. Paleejo said they were struggling for a new democratic, Federal Pakistan where there should be no discrimination on the basis of province or religion and all the people should be treated as equals. He said there should be respect for the people, and the resources of all the provinces should be utilised for the welfare and promotion of their people.

Replying a question, Mr. Paleejo said the struggle of the MRD had some very positive and concrete achievements. Firstly, the election, whatever its nature, was the result of the MRD's pressure. Secondly, as a result of this alliance a consensus has been achieved on the 35 year-old-issue of provincial autonomy, and had this

consensus been achieved earlier, the tragedy of East Pakistan would not have happened. He said he was hopeful that a consensus would also be achieved on the use of the resources of one province for the people of that province. Mr. Paleejo said in the 1983 MRD movement thousands of men and women, had undergone untold suppression and oppression, and as a result of that, Mohammad Khan Junejo came into power for which he should be thankful to all. He did not agree to a question that the MRD had been given some freedom. Rather, he said, they had snatched this freedom.

Mr. Paleejo said he had full regards for Islam, Pakistan and the leaders of Pakistan. Replying to a question, he said he believed that Pakistan is a multi-national country, where Punjabis, Baluchis, Sindhis, and Pathans were living even before the creation of Pakistan. He asserted that after 1947, under a well-planned conspiracy, an effort was made to convert the Sindhi majority into a minority, and for this very reason Sindhis were living in Karachi as "Red Indians".

Making a comparison between the points of view of G. M. Syed and his party, he said that G. M. Syed was not prepared to differentiate between the people of Punjab and the rulers of Punjab, and he did not consider there were any democrats in Punjab.

On the other hand, he said the Awami Tehrik believed that the common people of Punjab are suffering as much as ordinary Sindhis. The second major difference between the two Sindhi or-

ganisations was, that G. M. Syed believed that it was of no use to talk to the people of Punjab, while the Awami Tehrik believed that the people of Punjab strongly believe in democracy. Thus the people of Sind and Punjab along with the people of other provinces should wage a joint struggle to make Pakistan a democratic and prosperous country.

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COMMENTARY SAYS POLITICIANS COMPETING FOR WORKERS' BACKING

Islamabad THE MUSLIM in English 11 Jul 86 p 4

[Text]

THE battle for political backing of the workers is on. First Ms. Benazir Bhutto promised a minimum wage of Rs. 1,000. Maulana Fazlur Rahman of JUI raised that to Rs. 2,000. Ms. Bhutto then clarified before her Labour Bureau that what she meant was a minimum basic wage of Rs. 1,000 plus 60 per cent house rent allowance. Other allowances would raise the minimum monthly salary to Rs. 2,500. There will be the annual bonus and profit sharing over and above that.

Not to be beaten in the race for labour support, Chief Minister Ghous Ali Shah of Sind has announced that the minimum wage in the province would be Rs. 1,000 with immediate effect, and until formal orders are issued all workers getting less than that would be paid Rs. 50 more per month. Now the other provinces cannot lag behind Sind. If they do, there will be labour agitation, particularly when labour federations in Lahore have called for a minimum wage of Rs. 2,500.

Industrialists and other employers, including small shop-keepers in Sind, have been taken by surprise. The issue immediately arises as to how the heavily labour intensive and often "sick" textile, jute and woollen mills will fare. And how will cottage factories with smaller labour force pay Rs. 1,000, p.m.?

The Government, too, will have a problem in hand as it will ultimately have to pay a minimum of Rs. 1,000 to all, including school teachers in the rural areas. Similarly, the salaries of the municipal and other civic bodies will have to be raised, irrespective of the fact that the recently passed budgets do not provide for that.

Why was Syed Ghous Ali Shah in a hurry to make the announcement without doing any homework? The employers feel betrayed by him for making a major announcement without consulting them. Anyway, the announcement should have been a compact one instead of a sketchy one, as it is.

It may be easy to please the workers initially by promising far higher wages but what really matters is not how much more money they get in their pay packets but how much more goods they can carry home in their shopping bag. If as a result of far higher wages in industry there is loss of revenue to the Government and then a resort to higher taxation to pay more to its employees (besides recourse to massive deficit financing), prices will shoot up and the workers will ultimately be the real losers after their brief initial monetary gain. If wage inflation is followed by a higher price inflation, all is lost to the workers. And if all this devalues the rupee steadily, the country will be a terrible loser. Hence let the rulers and leaders think of the ultimate outcome of the monetary game they are merrily playing to lure the workers to their side, and not venture into unfamiliar land so unthinkingly.

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BILLS PASSED AMENDING ELECTION, CRIMINAL LAWS

BK100225 Karachi Domestic Service in English 1700 GMT 9 Jul 86

[Excerpts] The National Assembly prologued tonight after adopting the Houses of Parliament and Provincial Assemblies Election Amendment Bill 1986 and the bill further to amend the Pakistan Penal Code and Code of Criminal Procedure 1898, called the Criminal Law Amendment Bill 1986. The Criminal Law Amendment Bill was unanimously adopted by the House after clarification by the minister of state for justice and parliamentary affairs, Mir Nawab Khan Marwat, who satisfied the members about various points raised by them.

Earlier, the House adopted the bill further to amend the Houses of Parliament and Provincial Assemblies Order 1977, called the Houses of Parliament and Provincial Assemblies Election Amendment Bill 1986, as reported by the Standing Committee. The minister for justice and parliamentary affairs, Mr Iqbal Ahmad Khan, replying to the criticism on the bill said most of the speeches made by the members were of political nature. He refuted the allegation that the shadows of martial law still continued while it was also contended that the bill was ultra vires of the constitution. He told the House that the prime minister is visiting the United States as an elected representative of the people and will hold talks with the American leaders on equal basis. He quoted from the judgment of the Lahore High Court which upheld the membership of the prime minister and the acting secretary general of the Pakistan Muslim League. He said the decision of the High Court should not come under criticism and not be restricted. He said the court's decision shows that the prime minister and the acting secretary general of the Pakistan Muslim League never stood disqualified and both are legitimately elected members of the National Assembly.

About the ordinance, the minister for justice and parliamentary affairs said it was issued to end the sense of uncertainty so that democracy and democratic institutions could be strengthened. He said it was unfortunate that certain powers outside the House were conspiring to create uncertainty so that martial law could be imposed again.

Earlier, Haji Mohammad Saifullah Khan, Dr Shafiq Chaudhury and Mr Liaqat Baloch, speaking during the third reading, demanded the withdrawal of the bill saying it would be in the interest of upholding the prestige of the House and the national interest.

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PAKISTAN

BRIEFS

RECORD RICE EXPORTS--Pakistan has achieved an all time high record in rice exports with the total of 1.32 million tons of quality rice worth about 400 million rupees during the just ended financial year. This is about 120,000 tons more than the target fixed for the year. [Excerpt] [Karachi Domestic Service in English 1700 GMT 1 Jul 86 BK] /12232

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